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January 1984

MART 84

Business Ideas Today's Retailer Needs to Know

Premiere Issue: Home Computing Retailer

RETAILING 84

'83 Problems: How Retailers Solved Them

'84 Outlook; Coping with the Recovery

ELECTRONICS 84

Video Picture Looks Brighter

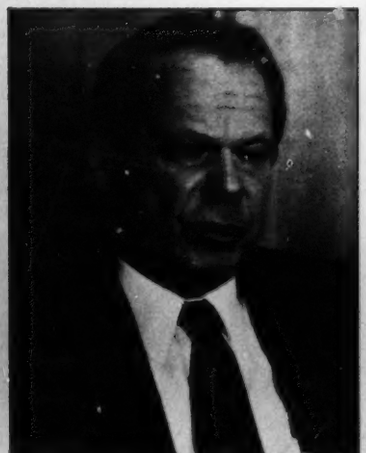
Telephone Sales Ring in the New Year

APPLIANCES 84

Cashing in on the Built-In Boom

Microwave-Oven Advertising Ideas

Spotlight:
Bloomingdale's Lester Gribetz



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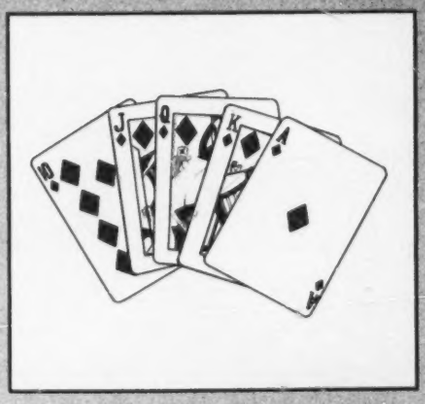

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Gas-Grill Sales Heat Up in Second Quarter: MART Survey

In-season and out, gas grills stake out 15-percent sales gains

If you are not currently selling gas grills, now may be the time to start considering the category. For many retailers—including TV/appliance, hardware, discount, and department stores, as well as mass merchants—participating in MART's recent survey, the second quarter accounts for up to one-half of their stores' gas-grill sales activity.

For these survey respondents, an average of 47.1 percent of annual gas-grill sales was conducted in the second quarter. As summer ensued, another 28.8 percent of gas-grill sales was transacted.

Perhaps boosted by November home sales and Christmas promotions, fourth-quarter gas-grill sales represented 12.2 percent of the year's total for this group. As one TV/appliance dealer noted, "Business seems to pick up at Christmas time." In addition, dealers experienced 11.9 percent of their gas-grill sales during the first quarter of '83.

How do gas-grill sales fare for these retailers? According to one respondent; "Sales look much better this year." One hardward store dealer summed it up accurately by observing "good growth." "It's getting better," said a department store. Another hardware-store dealer had the "best year for gas-grills in three years."

These comments bear out the group's improved 1983 sales performance compared to 1982. For 17.9 percent of the respondents, '83 gas-grill sales volume jumped 20 to 29 percent over '82 levels. Although 21.4 percent of the group experienced gains of 30 percent or more, this percentage contrasts the same number of dealers who saw sales plummet.

Another one-tenth of the group recorded gains of 1 to 19 percent. On the whole, sales rose an average 15.7 percent over 1982.

At margins averaging 24.7 percent, gas grills represent a healthy source of added business in-season and out for these retailers. Fully 28.6 percent of the respondents netted margins of 25 to 29 percent. One quarter of the group made 20- to 24-percent margins; about 10.8 percent pegged margins at 30 to 34 percent.

Margins for 14.2 percent of the group exceeded 35 percent. This figure, however, compares with 14.3 percent who experienced margins below 20 percent.

For this group, the average price point on a gas grill runs around $187.46. Nearly one-third of the respondents do well charging $150 to $199.99, and 28.6 percent charge as much as $200 to 249.99. Ten percent even sell grills exceeding $250.

Units priced under $150 are also popular with 21.4 percent of the outlets polled.

However, one disgruntled TV/appliance dealer debates discounters' pricing policies: "The cheapest place to buy gas grills is at discounters. They retail them below distributor-wholesale."

Observed one satisfied hardware-store retailer, "Features on gas grills are selling, fortunately with no price increases."

But price hikes in charcoal are good news for some retailers. "As long as charcoal goes up in price, gas grills are going to sell better," exclaimed one zealous department-store retailer, reporting 25-percent sales gains.

This respondent, like 64.2 percent of his or her colleagues, does not sell electric barbeque grills.

However, a TV/appliance dealer who carries electric barbeques defended the line: "There's demand for electric grills similar to Charmglow's large electric with rotisserie."

But on the whole, grill accesssories are more the norm at these retail outlets. More than three-quarters of MART'S survey respondents carry grill accessories, and 40 percent of the respondents not presently selling accessories hope to add them this year.

Support for this aspect of the business is strengthened as accessory sales contribute to a store's margins and repeat traffic. "Accessories and replacement parts have added a lot to our business," proffered a respondent from Seymour, IN.

However, one TV/appliance dealer, who charges an average $200 for a gas grill and makes barely 10-percent margins, complained about accessories. "Accessories are priced too high," he griped.

Apparently one Dunkirk, NY, respondent, used to carry gas grills but dropped the category: "One time I sold Fiesta grills, but couldn't get parts for them." Before adding grills and accessories this retailer is "looking for a good line."

When it comes to choosing lines, most dealers queried by MART settle on an average of 2.5 brands. Nearly 40 percent offer two brands. And one-fifth of the sample carry three or more brands.

Nor is the overriding majority of respondents planning to add more brands this year—only 7.1 percent are slated to expand selections in 1984.

But if one Austin, TX, wholesaler had his druthers, the gas-grill assortment would be more varied. Pointing out that gas-grill sales should "grow and grow," he added, "the industry needs apartment-size grills, for just charcoal."

Charcoal and gas can also be a tricky, but worthwhile, proposition for a dealer within the confines of a store. "Gas grills can be messy during demos. But usually there's no return on product," explained a Colville, WA, cataloger experiencing 30-percent gains with gas grills.

So for dealers such as this Colville, WA, respondent, where there's smoke, there's not only fire, but also an important source of revenue heating up. □

What is your most popular price point for a gas grill?

Less than $150.00	21.4%
$150.00 to $199.99	32.2%
$200.00 to $249.99	28.6%
$250.00 or more	10.7%
No answer	7.1%

Average price point = $187.46

How have your sales of gas grills so far this year compared to last year?

Down by 30% or less	21.4%
No change	3.6%
Up by 1% to 19%	10.7%
Up by 20% to 29%	17.9%
Up by 30% or more	21.4%
No answer	25.0%

Average percent change in gas-grill sales = +15.7%

What is the average margin you make on a gas grill?

Less than 20%	14.3%
20% to 24%	25.0%
25% to 29%	28.6%
30% to 34%	10.8%
35% to 39%	7.1%
40% or more	7.1%
No answer	7.1%

Average margin made = + 24.7%

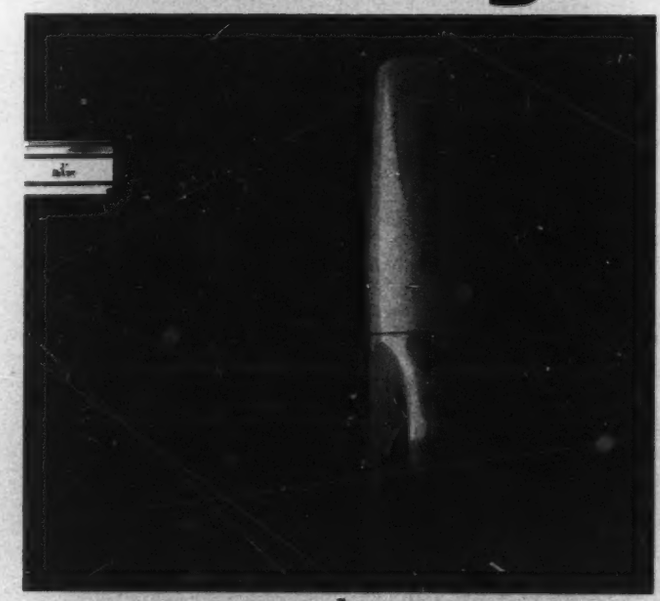
Do you also sell grill accessories?

Yes	78.6%
No	17.8%
No answer	3.6%

If not, do you plan to add accessories within the next year?

Yes	40.0%
No	20.0%
No answer	40.0%

Mitey handy.



The new Eureka Mini Mite's specially designed handle makes it easier to use than other cordless rechargeable vacs. It stores more securely in a sturdy wall charging unit, too.

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Blank-Tape Sales Outlook Is Rosy, Say Suppliers at ITA Update

At ITA seminar, video sales are seen growing fast in 1984 for both hardware and software

Where is the video market headed?

Nowhere but up, according to speakers at an "update" seminar sponsored late last year by the International Tape/Disc Assn. With penetration of video cassette recorders in U.S. homes seen hovering around the 10-percent mark by the close of 1983, video manufacturers speaking at the seminar predicted strong gains for sales of both video hardware and software in the coming year.

On the hardware side, Stan Hametz, general manager, video, for Panasonic, predicted sales of at least 5.2 to 5.3 million VCRs this year—"and I wouldn't be surprised if industry sales hit 5.5 million," he added. The Panasonic executive's forecast for 1983 VCR sales totals was from 4.1 to 4.2 million units; he characterized last year as "one of the best years the competitive video industry has ever had."

Hametz indicated some increase in sales of basic, non-programmable VCRs last year, with basic models representing about 59 percent of total sales, up from 56.5 percent in 1982. Portable VCRs were running at slightly under 18 percent of total sales as of mid-November, he added, vs. about 22 percent at the same period in 1982.

Looking ahead to 1984 VCR sales, Hametz predicted a greater shift to leader merchandise. "I see the $1,000 price point being pretty much dominated by portables," he added. He indicated a trend to smaller, lightweight units this year, as well.

Video cameras are also expected to do well in sales this year, according to Hametz, increasing in sales 25 percent to 500,000 units, up from the 400,000-unit total projected for 1983.

As for the anticipated entry of 8mm camera/recorders into the market this year, Hametz commented, "I don't think 8mm will come into the market in 1984 as a commercial product, or a threat to current merchandise. I think the 8mm recorder will coexist in the short range with half-inch formats, although it will be the portable of the future."

Hametz does anticipate some shakeouts of VCR suppliers this year, however: "With 32 or 33 brands now on the market, I can't help but expect some shakeouts. There's not enough room and profitability in the business to support companies that can't get from 5 to 8 percent market share."

On the retail side, Hametz sees the video-specialty store continuing as the main segment of the market, accounting for more than 20 percent of VCR sales. Looking ahead to this year's sales patterns, he added, "I see a greater shift to key accounts, with high-volume stores going with high-exposure brand names."

Speaking for the Beta VCR camp, Dennis Pence, Betamax marketing manager for Sony Consumer Products, said that last year "low prices for low-end product caused an enormous wave of customers—the floodgates opened!" Those floodgates brought industry sales totals to 3.9 million VCRs last year, Pence said; for this year, he predicted an industry volume of 5.5 million units.

And VCR prices will continue their downward trend this year, he indicated: Sony forecasts that 48 percent of 1984 VCR sales will be in the under-$500 category, compared to 34 percent in that price range last year.

"And we see a trend toward the mass market as prices drop," Pence added. "In the next five years VCR sales will go more and more to the mass merchandisers." Last year, he said, mass merchants got about 11 percent of VCR sales, with volume chains picking up another 21 percent.

How low will VCR prices go this year? "I don't see prices going below $400 or $500 in the near future, except in highly urbanized areas," Pence commented. Added Hametz, "In the first half of 1984 we should still have some price stability, because of some shortages. But if inventories start to peak, I can see a restoration of pricing chaos."

On the video-software side, blank-tape manufacturers are looking for strong gains this year as well. Ed Pessara, national video product manager for TDK Electronics, told the ITA seminar he anticipates sales of at least 90 million blank video cassettes this year, about 13 million of them to duplicators. In 1983, he estimated, about 65 million cassettes were sold.

Of that total, Pessara indicated, about 8 percent were high-grade cassettes, and he sees that share growing, "as more high-end VCRs are sold and people become more educated about high-grade tape."

As for the so-called "gray" market—cassettes manufactured abroad for sale overseas, but imported into the U.S. and sold at lower prices than domestic goods—Pessara said, "That situation was very bad a year ago, but it dried up in mid-1983 as prices stabilized at retail."

Bob Burnett, marketing operations manager for 3M's magnetic audio/video products division, predicted total blank-video-tape sales of 100 million units this year, up from about 73 million sold in 1983. The industry's problem, however, he added, is "the lack of acceptable profitability for both the marketplace and the suppliers."

With at least 31 video-tape brands currently on the market, Burnett said, "We have the recipe for a shakeout—in the last 12 to 18 months many manufacturers have tossed in the towel, and the next round of shakeouts might begin with the machine-brand tapes. Consumers no longer feel a need to seek out the tape brand that matches their VCR brand."

The growth of VCR penetration is bringing new customers into the tape market as well, Burnett said: "In 1984, 54 percent of all tape sold in the consumer market will be bought by customers who were not in the video market in 1983." Those new customers will tend to buy 11 video tapes in their first year of VCR ownership, he added.

Price continues to be the prime criterion by which customers are choosing their video tapes, according to Burnett, and, he expects, "price will be the issue on which the customer buys for at least the next few years." In addition, he sees that customer "moving from the specialty store to the mass merchandiser, which frequently uses tape as a loss leader."

Because of the growth of the tape business, the industry is seeing severe market fragmentation at retail, Burnett feels, which could lead to shakeouts there as well. "Seventy percent more retailers than last year are now competing for the video market, which puts even more pressure on prices," he declared. "Some of those retailers won't be around in 1985, and as they go out of the business they might be tempted into quick liquidations of their excess inventories, at fire-sale prices. A shakeout by competitive contraction is underway at retail—only then will profitability return to the industry." □

CATHY CICCOLELLA

Video-Cassette-Recorder Price Mix

	1982	1983	1984
Under $500	28%	34%	48%
$500 to $600	23%	22%	20%
$600 to $800	23%	21%	17%
$800 to $1,000	20%	18%	13%
Over $1,000	6%	5%	2%

Source: Sony Consumer Products

'I don't see VCR prices going below $400 or $500 in the near future, except in highly urbanized areas. In the first half of 1984 we should still have some price stability, because of some shortages.'

Audio Tape Will Grow, But Not as Fast as Video

This year's sales of audio tape will grow . . . but slowly, according to suppliers at the recent ITA update seminar.

This is very mature, saturated market which will experience slow growth, predicted Ed Pessara, national video product manager for TDK Electronics. He estimated a 3-percent increase for blank-cassette sales in 1984, mirroring a similar increase last year.

Of the total audio market, about 60 percent consists of normal-bias cassettes, according to Pessara, with high-bias tapes taking 39 percent of the total, while metal cassettes represent only 1 percent. ('I don't see metal's share growing,' Pessara commented. 'It's really at the mercy of the hardware.')

And what about audio-tape pricing? 'It should be stable in a stable, mature market, but that wasn't the case in the first half of 1983,' Pessara said. 'Dumping and gray goods saw the price eroding. But in the last six months of 1983 the gray goods dried up and we saw a slight increase in prices at retail—I predict pricing will remain stable.'

As the audio-tape industry is coming to terms with single-digit, steady growth, agreed Bob Burnett, marketing operations manager for 3M's magnetic audio/video products division. He pegged last year's industry sales growth at about 4 percent, bringing the market to 140 million audio cassettes with a wholesale value of $210 million.

'Sales are up, but profits are not,' he added.

At retail, the mass merchant is getting a larger share of the market, Burnett added, at the expense of the specialty dealer.

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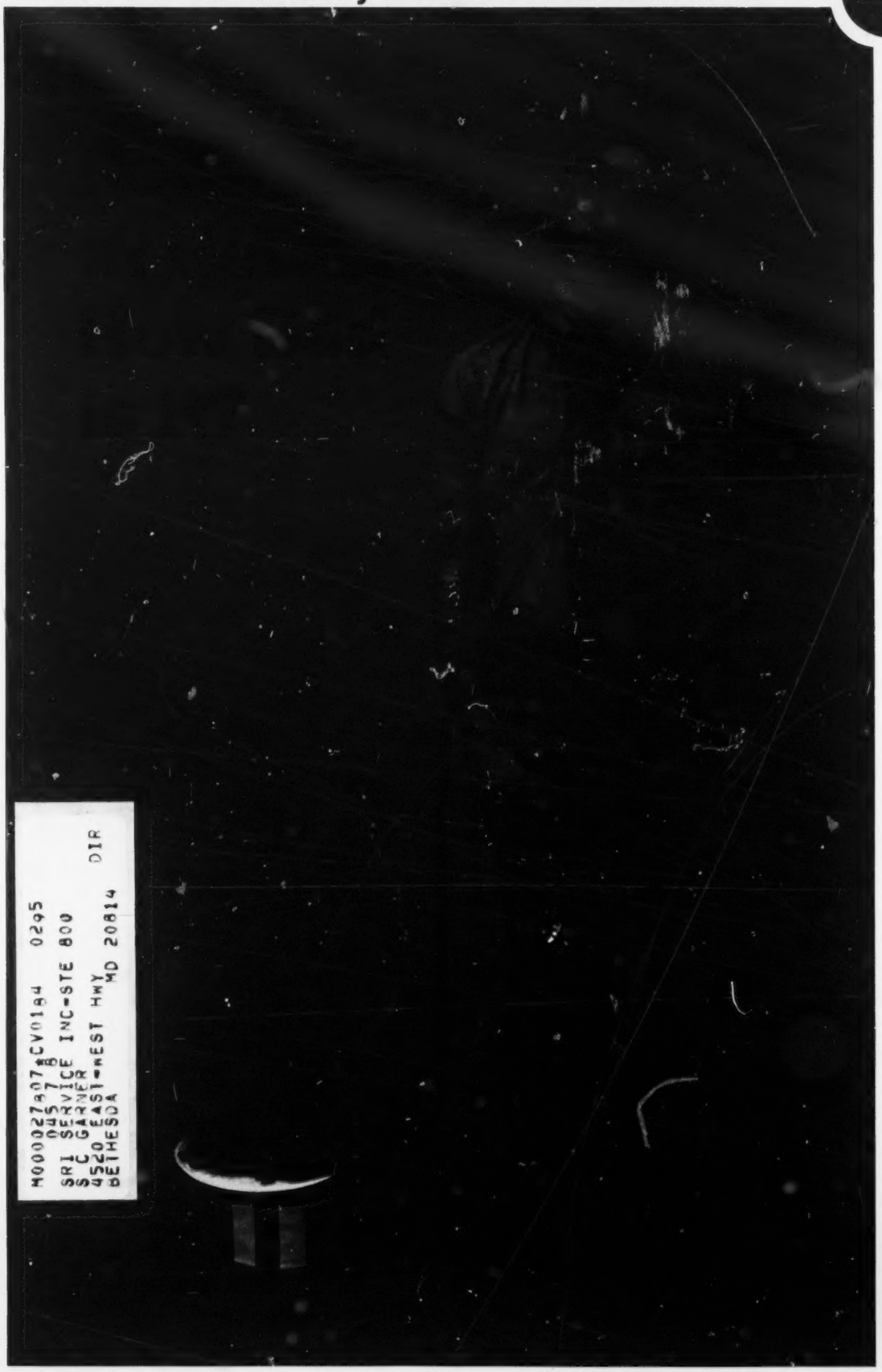

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Successful Promotions: How and Why They Work

ELECTRONICS 84

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Computer Suppliers Plan Promo Blitz for First Half

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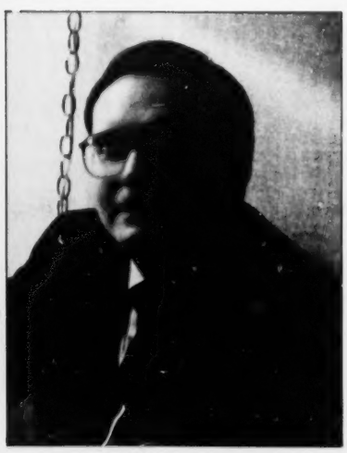
Spotlight:
J.C. Penney's Frank Owen



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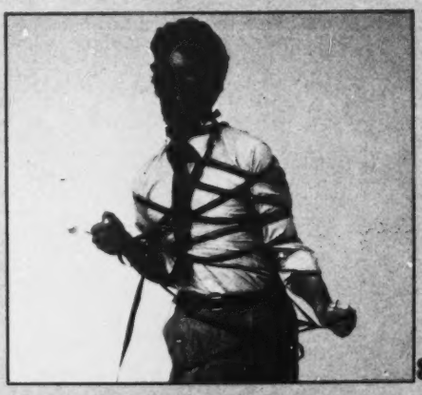

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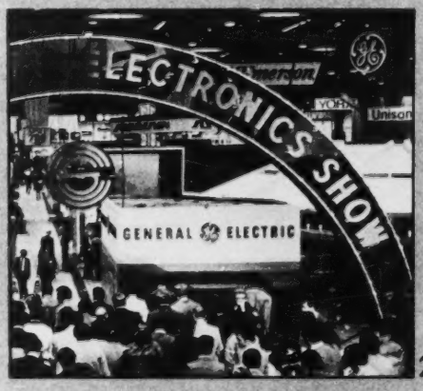

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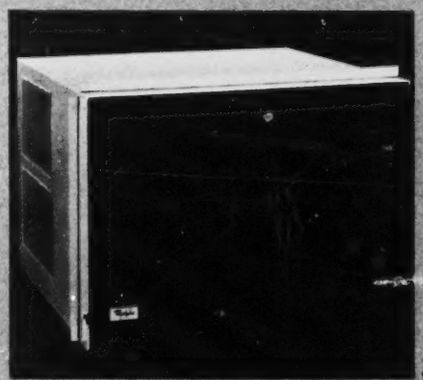

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ELECTRONICS 84

Audio '84: Very Alive, Very Well

Expanded product lines, price points are stabilizing audio sales in '84

Although many manufacturers—such as Magnavox, Sony Consumer Products, JVC, and Kenwood—were not showing new product lines on the East Hall floor of the Las Vegas Convention Center at Winter CES, re-

Fisher's Dave Karron showed three new rack systems at Winter CES.

tailers shouldn't be alarmed: home audio for 1984 is very much alive and, in fact, confidently stable.

Rather than flood the market every six months with a plethora of bells

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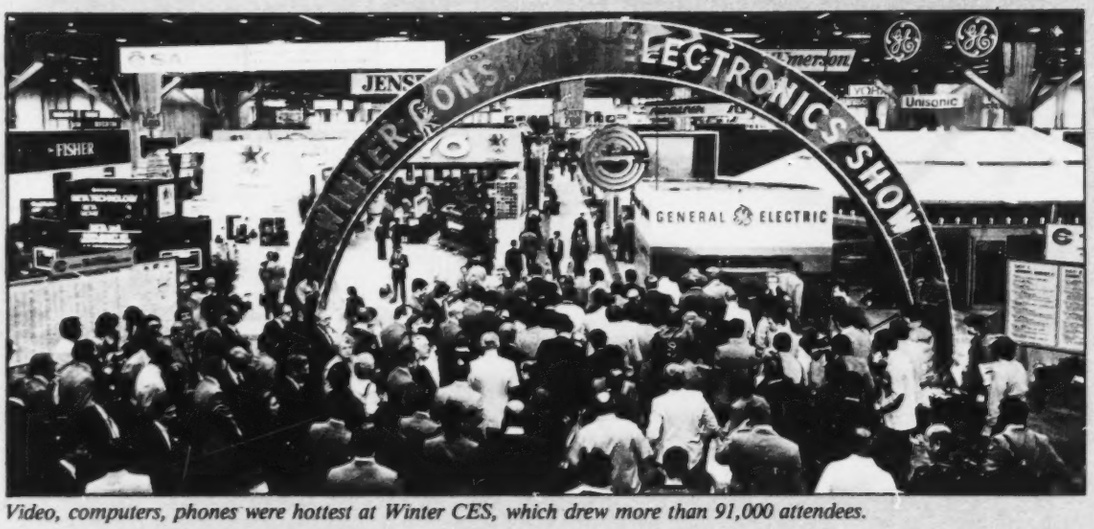
Winter CES: What It All Meant



Video, computers, phones were hottest at Winter CES, which drew more than 91,000 attendees.

As attendance edges toward the 100,000 mark, the Consumer Electronics Show has established itself as the largest trade show in the country, according to show organizers.

Retailers attending last month's mammoth event in Las Vegas would have no argument with that. Winter CES registration totaled 91,245, according to The Electronic Industries Assn.'s Consumer Electronics Group, with 1,337 exhibitors showing off their wares. Even with the addition to the Convention Center of the new, 120,000-sq.-ft. West Hall, which housed primarily computer-oriented companies, this 12th winter show stayed crowded throughout.

(Last year's Winter CES, by comparison, had more than 78,000 registrants and 1,056 exhibitors.)

The mood of the show was generally upbeat. Most exhibitors had come off a strong Christmas selling period, and were optimistic about first-half prospects for this year. And most retailers, whose Christmas selling seasons had also been merry, arrived in Las Vegas in a good open-to-buy position, ready to talk deals with their suppliers.

Among the areas drawing the most retail attention—and crowds—were the video exhibits, as manufacturers fielded questions about their plans to market—or not to market—8mm vi-

[Continued on page 26]

8mm Video: What Impact on Portables?

Suppliers not offering 8mm say it could hurt half-inch; those with 8mm downplay risk

The most-talked-about video product at last month's Winter Consumer Electronics Show was one that very few companies were displaying and none plans to market until at least the third quarter: the 8mm camera/recorder.

Whether or not they plan to offer an 8mm unit this year—and a number of companies were hedging the issue—most video marketing executives had strong opinions to express on the product's long-term viability . . . and, more important to video retailers, its short-term effect on sales of portable video cassette recorders.

The announcement of 8mm video recording as a coming technology, and especially the consumer publicity Kodak got with its plunge into the video-hardware business, the anti-

[Continued on page 28]

Computer Crowd is Bullish on Prospects for '84

Selling function, not price, in computers is the word from CES

Computer-hardware manufacturers took advantage of this year's Winter Consumer Electronics Show to chart a new offensive. A consensus seems to exist among the computer crowd that 1984 is the year when the micro-computer revolution will firmly take root in the home.

Retailers can look forward to an intensive marketing push from computer manufacturers, emphasizing what the micros can do to make life easier for the consumer. "It's time for manufacturers to make consumers say, 'Wow, I didn't know a computer could do that,' instead of killing each other with price," summed up Don Kingsborough, president of Atari.

Kingsborough, in an exclusive interview with MART, promised that in addition to Atari's current line of XL computers and software, his company will soon be marketing peripherals that in conjunction with a microcomputer would be monitoring the household, from car diagnosis in the garage to the sprinkler system on the front lawn. "We want our computers to be a central cog in the home of the future," Kingsborough explained.

Meanwhile, Atari's competitors are

[Continued on page 24]

HOME COMPUTERS

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)
1982	2,000	1,300
1983	4,800	1,950
1984	6,800	2,750

Source: Industry estimates

Phones Off the Roller-Coaster?

Sales should be more stable, suppliers feel, though cordless could get chaotic

This year the telephone market will stabilize. This is not to say, however, that it will stagnate. Rather, the telephone industry will flourish, but is will not experience the extreme ups and downs it saw last year.

Telephone-industry authorities MART interviewed at the Winter Consumer Electronics Show in Las Vegas noted that 1984 will not experience a doubling in sales, as in the past. Instead, they propose, sales growth will

[Continued on page 30]

1984 'The Year of the Specialist': CES Panel

The new cordless frequencies, and cheap imports, could cause market confusion

"When the FCC decided telephones were not a utility, but a consumer product, it opened up the industry and the fierce competition seen on the retail floor today. Telephone sales have increased 550 percent over the past three years—from 1982 to 1983, the industry saw a 346-percent increase alone. This year that growth will slow somewhat, to a 57-percent growth rate."

These comments were made by Bill Kopp, national sales manager for Panasonic, in his opening speech as moderator of the telephone-equipment conference at the Winter Consumer Electronics Show in Las Vegas.

In addition, Kopp noted that 1984 will be the "year of the specialist, "advising the specialty phone retailer to educate customers instead of frightening them away. The way to do so, he noted, is by studying magazines and literature available to the retailer today.

"Structure your inventory with easy-to-understand, step-up products, stock the basics, and provide service and repair over and above manufacturers' warranties," he told the packed audience of retailers.

"Establish yourself as *the* place in the community to buy phones. Advertise, merchandise, and market; offer free advice in seminars. Most importantly, monitor your salespeople to make sure they are making the sale and making it stick.

"In addition, do not neglect the small businesses in your community, by carrying lines of small-business equipment.

"This year telephones can be the greatest opportunity for retailers . . . or the greatest disaster," Kopp noted.

TOTAL TELEPHONES

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)
1982	5,700	400
1983	19,700	925
1984	31,000	1,275

This is the "year of the divestiture," also, Kopp added: "No one fully understands what's going to happen. But AT&T will have to take its gloves off and battle with the rest of us . . . "

A projected 31 million telephones are expected to sell in 1984, for a total of $12.8 billion in sales to dealers. Corded-phone sales alone should account for 25 million units and $8.25 billion dollars, a 57-percent growth over last year. The average price per unit will decline by only a few dollars.

Although pricing of basic models will become sharper, the average price per unit will decline by only a few dollars, Kopp noted.

In the cordless-phone arena, sales will not experience the doubling this category has seen each year for the past years, but rather will slow down to a 28-percent increase, according to EIA figures.

Interference will continue to persist with cordless phones beeause the FCC did not make provisions for security, said Kopp. He suggested that the retailer tread carefully.

"Don't sell cordless phones in place of a corded phone. Include high-quality and high-end units in your inventory, and prepare for returns. Remember, you're not selling a telephone, but rather a two-way radio," Kopp advised.

As for telephone-answering devices, unit sales are expected to increase 32 percent, from 2.2 million in 1983 to 2.9 million, worth $250 million, in 1984.

"The divestiture has affected the telephone industry in general—it has created a new and formidable adversary. AT&T will fight each of you, but that will make us all formidable," said F.A. Foresta of Record-A-Call, one of four manufacturers on the telephone-equipment panel.

George Hardy of Mura added, "None of us really knows the full effect of the divestiture."

However, retailer Dayna Ruliffson of Good Connections, in New Orleans, said, "The divestiture increased consumer awareness about telephones, but it also created a negative awareness and confusion as well. There is a definite need for consumer education."

"It was a publicity event. Consumers could buy phones for the last few years. The divestiture was a phenomenon of the long-distance dialing systems. The media and Bell have taken an aggressive stance of phenomenal importance to us," said Alex Cliento of Anova Electronics.

What about the shake-out expected to occur?

Said Hardy of Mura, "Everyone talks about the shake-out, but we have new entrants such as traditional consumer-electronics companies that are coming in with strong distribution bases. The marketplace for brand names will become increasing sharp."

On the issue of new cordless frequencies, retailer Jeff Zorn of The Phone Works, Detroit, noted that presently cordless phones are not selling because of bad publicity about them—he feels the new frequencies will help. He added that he's tried cordless phones on the 49/49 mHz frequency that sound as good as corded phones.

Ruliffson of Good Connections added that she is not stocking cordless phones in any depth, but is still marketing them because there is still a demand for cordless phones in her area.

'Don't sell cordless in place of a corded phone. Remember, you're not selling a telephone, but rather a two-way radio.'

On the subject of one-piece electronic phones Norman Shink of Quasar Microsystems, said, "There are still plenty of companies selling one-piece phones for the cost of materials, and there are still plenty in the Orient that will be dumped." He foresees massive close-outs by importers. But, he added, "You can't fool American consumers. They're used to good quality."

Hardy from Mura added that the one-piece phone is still a good phone: "The one-piece market was a $15-million-unit-a year market, and strong demand still exists. It won't be as crazy as last year, and it might be messy in '84, but it will stabilize."

Zorn of Phone Works noted that basic phones will probably be the biggest sector in sales this year.

Ruliffson added, however, that the retailer must beware that the two-piece market, with all the importers of poor-quality phones, might become like the one-piece market, and that the retailer must be careful with whom he or she does business.□

PEGGY ODENBACH

3M Targets New VCR Buyers

In a move to become a "world-class leader" in the video-tape market, 3M kicks off two major consumer promotions this month.

The company is targeting first-time buyers of video cassette recorders with its marketing efforts; according to 3M, a VCR owner buys from 25 to 33 percent more blank cassettes in the first year of VCR ownership than in subsequent years.

Through June 30, a new "Scotch Rewards or Rebates" campaign offers consumers a variety of options with the purchase of from one to 15 video cassettes. These options range from a $1 rebate, two free audio cassettes, or an audio-cassette holder with the purchase of one Scotch video cassette, to a buy-one, get-one-free offer of a round-trip flight on Republic Airlines with the purchase of 15 video tapes.

The second promotion offers consumers a new "buyer-protection" plan: a consumer who buys any VCR plus 10 Scotch video cassettes can get an extension on the VCR's warranty for up to one year free from 3M. A consumer who buys a VCR plus five Scotch cassettes gets the extended warranty for $10.

This promotion also runs through June 30, "but if it's successful, we'll extend it," commented Bob Burnett, newly named marketing director of 3M's consumer magnetic audio/video division.

"A lot of retailers make a tremendous error at point-of-purchase—they let a number of their customers who buy a VCR walk out without tape," Burnett added. "This type of promotion should definitely encourage consumers to buy tape with the machine."□

Curtis Mathes Seeks Franchisees

Curtis Mathes, which has had its greatest concentration of retail distribution in the Sunbelt, is moving to go fully national with a new franchise program now underway.

With about 700 active franchise stores currently selling its products, according to Curtis Mathes President and Chief Executive Officer Lud Huck, the company's goal is "to add from 75 to 100 more franchise outlets each year for the next several years."

Franchisees are required to sell Curtis Mathes products exclusively, except for a few approved items, such as accessories, not offered by the firm. Most franchise stores also stock pre-recorded video cassettes, tying in with Curtis Mathes' "Show Stopper" video-club program. Curtis Mathes dealers are also encouraged to stress the company's four-year warranty on every product.

To secure a franchise, prospective dealers need $25,000 for the franchise investment, plus $50,000 per store for inventory and fixtures, Huck said. The company offers extensive sales training for new store operators, including a "Curtis Mathes University" program at its Dallas headquarters, and also provides experienced store managers to work with new franchisees during the first days their stores are open.

Curtis Mathes plans to support its brand with more than $20 million in national advertising between now and the end of 1985, Huck said.□

From Sibelius to the Stones, Home Audio Reaffirms its Niche

[Continued from page 21]
and whistles and black boxes, many companies are taking a carefully guided approach, introducing pieces which broaden existing lines and price points, to attract a wider consumer base. Other firms are waiting until the June CES to release new items, or are busy filling the pipeline with high-demand product, such as component systems and compact disc players. Some manufacturers, such as Magnavox and Technics, have also lowered price points on second-generation CD players in order to be positioned more competitively in the marketplace.

The resurgence of the record industry, led in part by M-TV and Michael Jackson's 14-minute, $1-million video "Thriller," which has already netted over $30 million, combined with an unflagging economic turnaround through 1983 and into '84, second-time buyers returning to the fold to upgrade systems, and advanced technology exhibited by CD players and the up-and-coming stereo TV, have all helped perk up audio sales through '83, explained Jim Twerdahl, JBL president, in his keynote address at the WCES audio conference.

According to estimates prepared by the Electronic Industries Assn./Consumer Electronics Group, unit sales of audio components—coined the "heart and soul" of the audio business by Twerdahl—jumped 6 percent in '83, with at least 4-percent gains projected for '84. Factory shipments of compact and component systems climbed 14 percent in '83 over '82 unit sales, and 12 percent in dollar volume. Compact and component unit sales are expected to exceed $3 million in '84, charting an increase of 6 percent in unit volume and about 4.5 percent in dollar volume.

Hitachi's Duncan sees 100-percent retail margins on CD players.

"Hi-fi sales for Pioneer were up about 40 percent," touted Chris Byrne, Pioneer Electronics' home audio vice president of marketing, "due to reorganization of our company and our exciting product line. In particular, components are performing well. So we are rounding out our audio line with high-end audio/video receiver SX-V90, at $800, and cassette deck CT-A9, for $800, which compares to the $1,800 Nakamichi Dragon. Second-time buyers who enjoy music are replacing three- to five-year-old equipment with units offering new technology such as ETR."

Due to a 20-percent increase in '83 sales, Kenwood Electronics is experiencing a back-order situation with one-brand and basic component systems, which command 50:50 shares of Kenwood's business.

"Demand is coming from everywhere, so we don't have enough inventory. The economy has improved; our dealers are working more closely with us and have become more aggressive and are advertising more—creating a utopia of demand," explained Sam Rosenzweig, marketing vice president of home audio.

"The one-brand consumer has also changed. Once it was the first-time buyer and the female market. Now it's become the second-time buyer and the 34-to-50 age group.

"Our product line is also well-accepted. As performance has gone up, it's become very competitive at the right price point and with the right features. Due to black cosmetics, our systems are considered as furniture that fits into the home.

"Consumers also want cassette decks and digital tuners with ease of operation. And they're not stopping at the $500 price point—our best-selling system costs over $1,000," declared Rosenzweig.

He also expects production levels to relieve demand by April. "We're planning a controlled growth period in '84 without going overboard," he said.

Consumer benefits and convenience features are also important, stressed Aiwa's national sales promotional manager, Vince Wheeler, aimed at "getting consumers into audio and department stores and selling consumers on having quality home stereo."

Akai posted a 17-percent gain in audio sales in'83, reported Chuck Phillips, executive vice president; as a result, "inventory on receivers will be tight in the first half," he told MART. "And though I expect no slackening in the component business, because the marketplace is improving, we're putting greater focus on packaged systems priced between $800 and $1,000."

The Akai end-user is also different; he observed: "The Compo Fusion customer is more established, with greater disposable income, and is moving away from inexpensive rack systems."

Phillips also noted that specialty stores are selling more high-end components, leaving department stores to push "expensive racks, such as Fisher's. But less-expensive cassette decks are also becoming popular, especially with first-time buyers. Automatic reverse record is also sought-after," he added.

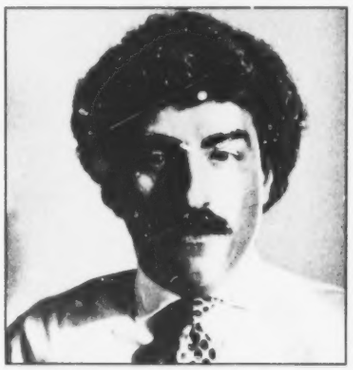
On the heels of its successful promotional campaign with the $2,500 4900B rack system, which completely sold out in '83, Fisher is debuting three new rack systems at lower price points of $2,000, $1,500, and $1,300. "We're offering the same features and benefits—the same CD player and different equalizers, tape decks, turntables, and speakers—but as production increases, the price comes down," explained David Karron, vice president of sales for Fisher.

Tom Yoda, Sansui's vice president of marketing, concurs that hi-fi is moving in a positive direction. "More one-brand systems are selling, but components are definitely taking off. The high end is also picking up," he said.

"Consumers are looking for a new, total concept in home entertainment. And as first-time buyers become a greater segment of the market, penetration of total households will climb. Yet tremendous potential still exists in '84."

(Household penetration of audio systems is 80 percent, according to EIA/CEG statistics; however, audio components comprise only 33 percent of U.S. households, compared to 45 percent of European households and two-thirds of Japanese households with audio-component systems, pointed out JBL's Twerdahl.)

Another company "tightly allocated in all product categories" for the first half of '84 is Magnavox, according to A.J. Menozzi, director of audio sales. "Due to our partnership with N.V. Philips—delivering product known for its technology—in addition to having our distribution in place in department stores, sales have been astronomical. In fact, our best-selling items have been clock radios, personal stereo headphones, and hi-fi systems.



A.J. Menozzi said Magnavox is 'tightly allocated' on CD.

Magnavox has also cut the price on its compact disc players, bringing the FD 1000SL under $600 and the second-generation FD 2020 SL and FD 3030SL players in at $699 and $799, in order to position itself competitively and to "offer a consumer-friendly, mass-consumer product that is not just for audiophiles," asserted Menozzi.

Although Hitachi's new DAD 1010 player at $595 will be in limited supply, admitted area sales manager Jon Duncan, sell-through on its $1,000 DAD 1000 and DAD 800 have been excellent.

"Dealers have been able to make 100-percent margins. We also hope to open up new dealer avenues with the DAD 1010 to make CD a mass-merchandiser item through a systems concept. We want to sell the compact disc and audio system to the same consumer who is buying video. And from a dealer's point of view, it's a profitable line, because we're a limited distribution house," Duncan said.

Magnavox's Menozzi also projects that a "CD explosion will happen this fall, when prices on players come down, the number of software titles increases, and consumer awareness expands." Consumer education about the digital audio compact disc remains the thrust of many companies' promotional plans, including Sony and Technics, in the first half of '84.□

LESLIE A. AZIA

SEPARATE AUDIO COMPONENTS

	Total Factory Sales in Dollars (Millions)
1979	1,178
1980	1,424
1981	1,363
1982	1,181
1983 (proj.)	1,250
1984 (est.)	1,300

Source: EIA/CEG

Computer Crowd Is Bullish on Prospects for 1984

[Continued from page 21]
also eyeing that home of the future as a digital dollar bonanza. Commodore, whose former president, Jack Trameil, took pride in saying his company makes computers "for the masses, not the classes," unveiled a new line of computers that should be available sometime early in the second quarter.

Commodore's new 264 computer will be available during the second quarter.

Commodore's new 264 series, targeted at the home, is a sophisticated line that demonstrates that this year's big winner in the home market thinks "the masses" want to do some serious computing. Commodore's new line, for example, will offer "3-PLUS-1," a built-in software option that includes word-processing, electronic spreadsheet, file management, and a graphics package.

"We believe the home market is ready for a computing package that can be a business tool, educational aid, or a sophisticated personal workstation," said a Commodore spokesperson.

Coleco, maker of Adam, the all-in-one home-computer package, joined rival Commodore in introducing a line of peripherals to expand its system. "We think the consumer market wants a system that can grow," explained Arnold Greenberg, president of Coleco.

Coleco is betting that purchasers of Adam will grow into a list of extra offerings, including a 5¼-inch disk drive, an additional data drive, and a 1,200-Baud modem available "sometime in the second half."

"The expansion capability of the Adam," explained Al Kahn, senior vice president/marketing of Coleco, "will give consumers a certain comfort level about the system."

What has been causing retailers and consumers a certain amount of discomfort about the Adam are persistent reports of defects and short supply. But Greenberg adamantly told MART that Adam's return rate had been "blown way out of proportion," and that a new nationwide service agreement with Honeywell would be able to take care of all customer-service problems.

"And we finally are prepared to give retailers the supply they need," he added.

Availability is a key question for home-computer retailers in the coming year. But all the manufacturers MART contacted at Winter CES echoed Greenberg's claims that they would have the numbers to meet consumer demand.

According to industry estimates, home-computer unit sales will leap from last year's 4.8-million-unit figure to 6.8 million by year-end 1984. From the product shown at Winter CES, those consumers entering the market this year will be buying an increasingly sophisticated product, compared to last year's models.

One indicator of the rapid maturation of the home-computer market was the appearance of two high-end manufacturers at this year's Winter show, Apple and Kaypro. "The market wasn't ready for us before," explained Mary Ann Peters, manager of home markets of Apple. "But it has changed—the time is ripe for us. The media have done a good job of educating people. Plus, Apple has a very large installed base in the schools and a huge list of educational software available. That makes us extremely attractive to a home market in which 60 percent of the people purchasing computers say they want them for education."

"I see a computer-buying public that wants completeness," commented David Kay, president of Kaypro. "They want a complete package for affordable price."

Kay was reeling from the success of his company's first appearance at Winter CES. He told MART that response from retailers for the Kaypro line of portable computers, which come complete with built-in disk drives and monitors and retail in the $1,500-plus range, had been "fantastic." The interest his line received from mass merchants, he added, was a clear indicator of how the computer market had matured since last June, when he didn't think the market was ready for Kaypro to make a Summer CES appearance.

IBM still doesn't think CES is the place to show its new PCjr, even through the computer giant will be going head-to-head with manufacturers represented at the winter show. Several manufacturers MART spoke with felt *their* sales had already benefited from the PCjr, however, because of its relatively high price point.

Apple's Peters spoke for several of her colleagues when she said, "We definitely gained at Christmas from sales to people who were waiting for the PCjr, and then decided against it when they saw what they were going to get and at what price point."□

JIM ROBINS

Room at the Top

Richard Bratt has been promoted to vice president of software development for *Spinnaker Software;* he was previously director of software for the company . . .

Akai America has promoted two executives to vice president: **Michael Wiggins,** formerly director of sales, is now vice president, sales. **T. Kobayshi,** formerly secretary-treasurer and controller, is now vice president of finance and operations . . .

Newly named senior vice president-sales and marketing, consumer products, for *Zenith Radio Corp.* is **Gerald M. McCarthy,** previously vice president-sales, consumer products . . .

Jack Tweddale has been named president of *Super Tel Inc.* He was previously with *Tomy's* home computer division . . .

Frank J. DiLeo has been elected president and chief operating officer of *Dynascan Corp.* He was previously executive vice president. **Carl Kom,** who had been president, continues as chairman of the board and chief executive officer of the company . . .

Newly named marketing director of consumer products for *3M's* magnetic audio/video products division is **Robert F. Burnett,** who had been business developement manager . . .

Bruce M. Allan has been named to the new position of director, strategic planning, for *RCA Consumer Electronics.* He was formerly director, video systems product planning . . .

Gary Khammar has been promoted to vice president, sales, of *RCA/Columbia Pictures Home Video;* He had been director of sales. . .

Karl Video Corp. has named **Harold Weitzberg** director of sales. He was previously a video-telecommunications consultant . . .

Kathy Van Brunt has been named vice president of program development for *Vestron Video.* She was previously the firm's vice president of programming . . .

HOME COMPUTER SOFTWARE

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)
1982	na	250
1983	58,000	1,050
1984	88,500	2,200

Source: Industry estimates

Software Suppliers Show Savvy at Winter CES

Software manufacturers showing at Winter CES displayed an unprecedented amount of savvy in their packaging and marketing plans for 1984.

The home-computing software industry has come of age. Manufacturers, including Spinnaker, CBS Software, Electronic Arts, Simon & Schuster, Scholastic's Wizware, The Learning Company, and Epyx, displayed new dynamically illustrated software they plan to support with major ad budgets and promotional tours by the authors.

These software publishers are putting their emphasis on education and productivity. The trend toward adapting popular TV shows, books, and celebrities into these packages was prominent at Winter CES. CBS Software's licensing of the Sesame Street characters, and Electronic Arts' Dr. J and Larry Bird 'One on One' basketball-game software package were but two prominent examples.

More Promos than New Product in Audio Tape at Winter CES

Only minor price fluctuations are expected this year in the stable audio-tape field

Leading manufacturers of branded audio tape are forecasting a gradual growth in sales and "fairly stable" pricing in the year ahead.

At the Winter Consumer Electronics Show retailers found emphasis on first-half promotions of audio tape, rather than new merchandise being introduced, at many exhibits. Most suppliers noted that their promotional efforts will be directed toward stepping customers up to premium high-bias tapes.

Industry sales of branded audio tapes will continue to be steady. Blank-tape sales reached about 215 million units for a dollar value of approximately $230 million last year, up 4 to 5 percent over 1982, according to the consensus of manufacturers interviewed by MART. Unit sales are expected to rise another 4 to 5 percent this year, industry leaders predict.

Though pricing is expected to be comparatively stable, this stability will be determined largely by the state of the economy and supply of the product, according to Mike Standley, national sales manager, consumer audio products, for Maxell. "It also will depend on how retailers choose to promote the merchandise in their various markets. Pricing ultimately is in their hands," Standley noted.

As the market becomes more mature, pricing tends to become more stable. But the flip side of this, according to 3M's Bob Burnett, marketing director, consumer magnetic audio/video products division, is that audio tape has become a "true commodity." This development, feels Burnett, makes it harder to get a handle on pricing.

Pricing fluctuations are expected to be only minor, wth high-bias C-90s probably most sensitive to change, depending on supply and demand, one reliable source told MART.

Sources at Winter CES indicated greater use in the first half of television and radio advertising to supplement national print campaigns. Emphasis will be on premium or high-bias products, as key suppliers seek to encourage the consumer trend to step up to higher-performance, higher-priced product.

The trend toward multi-packaging of product will continue. BASF will step up is promotion of its Pro II Chrome cassette line. The company unveiled at Winter CES its program involving a free carrying case with the purchase of five C-90s. The case holds 10 tapes and also can be used by retailers as a merchandiser, explained Bob Morrison, product manager, audio, for BASF.

3M is offering its XS I and XS II in dual packs.

Sony announced at the show "strong dealer programs" for the first quarter, then will move into consumer programs in the second quarter with "sell-through" efforts, explained John Bermingham, vice president of marketing, Sony Tape.

Maxell is relying more on all media—TV, radio, print—to reach consumers. The firm plans heavy radio and print campaigns and in some markets TV advertising as well, Mike Standley told MART.

PD Magnetics is adding two new audio tape lines, a high-grade and a "quality" grade.

TDK introduced at Winter CES a new, "HX" tape designed for use with digital audio equipment, according to National Sales Manager Doug Chatburn. The 60-minute tape is said to offer increased frequency response.

Fuji Photo Film highlighting new promotional and marketing programs for its GT-I tape series; GT-I tape will be promoted heavily. "The industry has reached a level in audio where areas of specialization in tape are important. Just as metal tape is important to the audio-phile market, GT-I, we believe, is important in its use with car-stereo and portable-audio products," said John Dale, vice president and general manager, magnetic tape division. The company is running a consumer sweepstakes to promote the GT-I line.

How important is metal tape? Does a market still exist for metal? Though most major suppliers feel the market remains quite small, accounting for only 1 percent (or less) of sales in leading lines, two sources told MART the industry is misguided in its evaluation of metal tape.

Fuji's John Dale said it is obvious that people within the industry do not understand the advantages of metal tape: "There's more than a good market for metal tape, especially now with the advent of a better music-delivery system, such as the digital audio disc."

Regarding digital audio, Dale raised the "inevitable question": Does the consumer want to listen to the entire album from beginning to end? Or only to segments?

Dale suggests many consumers will want to tape from digital discs and listen only to segments. "The only audio cassette capable or coming close to the dynamic range of digital audio discs is metal. Now the user has close to 80db of dynamic range, and can utilize the capability of the metal tape . . . when recording for the auto or even programming for home or portable use," Dale explained.

Metal tape has a strong position in the audiophile market, he continued. Dale also noted that metal-tape technology is a natural lead-in to the better video tape, which newer equipment will eventually require. He referred specifically to 8mm, which requires a metal or metal-evaporation-type tape.

"Those companies not involved in metal-tape technology are going to be substantially behind in developing the technology for video," Dale told MART.

Maxell concurs with Dale's point of view. "At this time, metal is still a highly refined and somewhat limited market. It's a very small part of our business now, but an important part both for image and R&D," Mike Standley told MART.

Maxell has built much of its marketing strategy for its new XL-S cassettes on the tape's capabilities with the digital audio disc.□

Denver Dealer Gives High Hoots to CD

Not only is Walt Stinson, president of Listen Up in Denver, CO, enthusiastic about the high-end market for 1984, but he is fervently bullish about CD as well.

Perhaps it is the firm's marketing commitment to store image and consumer awareness that places the company out front, and helped profits grow 17 percent in '83. For example, Listen Up sound equipment and technicians serve at local symphony concerts, public service activites, and sporting events such as the Coors International Bicycling Classic. Joint promotions with four of Denver's pop and classical radio stations involve CD marathons, as stations broadcast compact discs borrowed from Listen Up's library of nearly 500 titles.

'We believe not just in advertising but in marketing— communicating to people about what kind of store we are. And we're also a public service-oriented firm. We have a large public-service budget and provide free sound reproduction for service-type organizations,' noted Stinson.

'We're a large small dealer,' he continued. 'As we've gotten bigger, it has become harder to maintain a high-end image. But without dropping quality product, we appeal to a broad market and fill a geniune market niche in Denver.'

The 11-year-old multi-store operation, which includes a 4,500-sq.-ft. Boulder outlet and 15,000-sq.-ft. complex in Denver with service facilities, a commercial department, and a new autosound division, carries CD players from Yamaha, Sony, Denon, NEC, and Hitachi, among others. According to Stinson, 'Lower-priced units don't eliminate the need for high-end machines. For instance, we've done a lot better with the Sony 701 models at $1,500 than wih the 101 model at $900. Higher-priced units appeal to consumers with a significant investment in audio,' he explained.

Stinson projects CD players have the potential to claim at least 10 percent of a store's total audio volume in '84—'except that most dealers aren't aware that the hardware and software situation is changing faster than anticipated,' he stressed.

'CD is the most significant development since the LP. It's the hottest product of '84, but dealers must support it aggressively by educating consumers and reaching out to the public to accept the format.'

BLANK AUDIO CASSETTES

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)
1981	201,439	242
1982	186,447	219
1983 (proj.)	215,000	230
1984 (est.)	225,000	240

Source: EIA/CEG

MART® 84

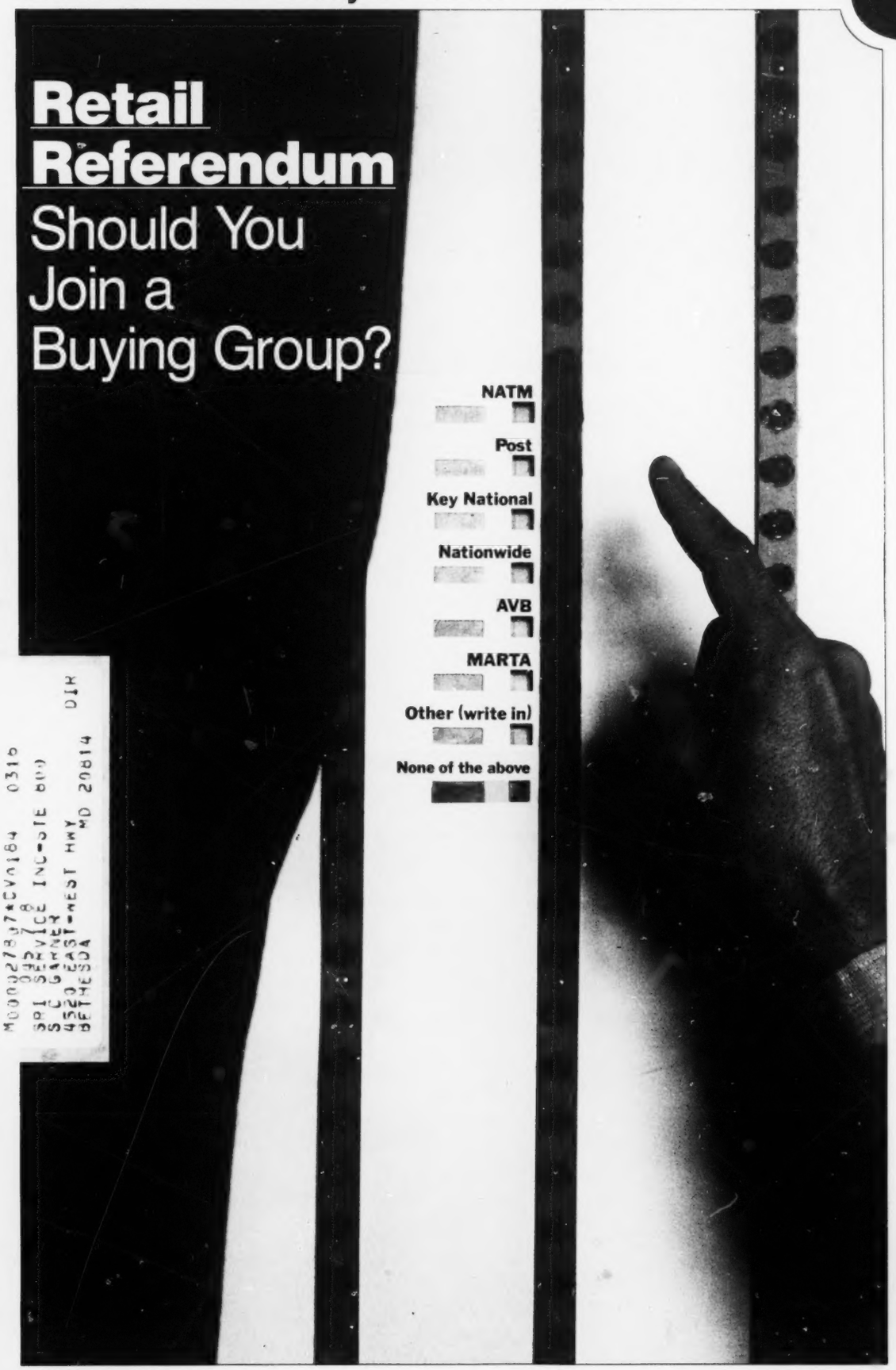
March 1984

Business Ideas Today's Retailer Needs to Know

A Gordon Publication

Retail Referendum

Should You Join a Buying Group?



Home Computing Retailer
How Two Specialists Tackle the Market

RETAILING 84

- More Sales = More Profits ...Or Do They?
- What Consumers Plan to Buy This Year

APPLIANCES 84

- 'Color Wars' Hot Topic at Recent Builders Show
- Floor-Care Buyers Plan for Spring Cleaning

ELECTRONICS 84

- Music Video: Waiting to Catch the Beat at Retail
- CD Suppliers Spend Big to Build Identity

Spotlight;
Radio Shack's Bernie Appel

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Business Ideas Today's Retailer Needs to Know

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Home Computing Retailer

How Two Specialists Tackle the Computer Market

RETAILING 84

Spotlight

Radio Shack's Bernie Appel

Sales prospects look good, as retail tests continue on two specialty approaches

Is specialization the right way to go in selling fast-growing products such as telephones and computers?

The Radio Shack chain expects to find that out this year, as it evaluates its specialty-store program combining those two hot categories and breaking out telecommunications products into their own specialized operations.

At the same time, parent company

Radio Shack's Bernie Appel sees a good year ahead, especially for his firm's specialty operations.

Tandy Corp. is looking into broadening the product mix at its traditional Radio Shack outlets, with a line of pre-recorded video software currently under consideration, for example.

For about a year now, Radio Shack has been testing a chain of prototype telephone-specialty stores, both as free-standing units and in combination with Radio Shack Computer Centers.

The first Telephone Centers opened in February and March, 1983, in Texas and Kentucky, as telecommunications-only outlets. They carried the regular Radio Shack telephone line (acknowledged by industry sources to represent nearly 20 percent of the answering-machine market and from 10 to 15 percent of the cordless-phone business even before the specialty stores opened), selected consumer telephones and accessories under both the Radio Shack label and, occasionally, other brands,

[Continued on page 8]

What Consumers Plan to Buy in '84

Phones, color-TV sets rank highest in consumers' intended electronics purchases

Which consumer-electronics products and major appliances do consumers intend to buy next . . . and which items should retailers concentrate on promoting during 1984?

According to results of a recent intent-to-buy survey, telephones top consumers' "most-wanted" lists for the next year, followed closely by color-television sets. On the appliance side, refrigerators and vaccum cleaners lead in consumer buying intentions.

The survey, conducted by Industrial Marketing Research, questioned 4,225 U.S. households during the fourth quarter of 1983, asking which products these consumers intended to purchase during the next one-year period. The results? Nearly 29 percent said they plan to buy a telephone during the next year, while 23.6 percent of these consumers said they plan to purchase a color-TV set.

Some of the newer consumer-electronics products, on the other hand, appear to have a ways to go before reaching noticeable penetration: only 0.9 percent of the survey respondents said they plan to purchase a component-TV set in the next year, and only 0.7 percent said they will buy a digital-audio-disc player.

PERCENTAGE OF CONSUMERS INTENDING TO BUY	
Telephone	28.6
Color-TV set	23.6
Blank video cassette	15.4
Clock radio	14.7
Vacuum cleaner	11.8
Refrigerator	11.3
Blank audio cassette	10.4
Cordless telephone	10.4
Washer	10.4
Dryer	10.1
Video-game software	9.8
In-dash car stereo	9.8
Countertop microwave	9.3
Personal computer	9.0

Among major appliances, 11.3 percent of these 4,225 consumers said they plan to buy a refrigerator in the next year, while 11.8 percent said they expect to purchase a vacuum cleaner. Slightly over 10 percent also indicated they are likely to buy a washer or dryer. Countertop microwave ovens were cited as intended purchases by 9.3 percent of these consumers; over-range microwave models, however, were listed by only 1.9 percent of the respondents as intended purchases in the next year.

Among the other products making a strong showing on Industrial Marketing Research's intent-to-buy list were blank video cassettes (mentioned by 15.4 percent of these consumers), blank audio cassettes (by 10.4 percent), clock radios (by 14.7 percent), cordless phones (by 10.4 percent), video-game software (by 9.8 percent), in-dash-car-stereo players (by 9.8 percent), and personal computers (by 9 percent).

For additional information on this survey, contact Industrial Marketing Research, 501 W. Ogden Ave., Hinsdale, IL (312) 654-1077.□

Promotion Idea: Send Sales Soaring With 'Frequent-Shopper' Program at Retail

NAB VP sees revolution ahead in retailing — in people, selling, technology

If it works for the airlines, why not try it at retail?

The "it" in this case is the frequent-traveller program, used successfully in the past two years by the major airlines to build customer loyalty. So why not offer a "frequent-shopper" program at retail, giving customers incentives for coming back to your store for repeat purchases?

That's the suggestion of Alfred Eisenpreis, vice president, retail marketing, of the Newspaper Advertising Bureau. At the recent National Retail Merchants Assn. convention in New York City, Eisenpreis said, "A 'frequent shopper's' cumulative purchases could be tracked through the year, with bonuses on reaching different purchase levels. Special incentives could be built in to stimulate shopping on slow days, or for slow-moving merchandise. And it would be a marvelous promotional plus, as the airlines have found out."

At the NRMA convention, Eisenpreis predicted four "revolutions" ahead in retailing by the end of the 20th century. "These are not the violent kind, but the other meaning of the term 'revolution': a turning of wheels," he explained.

Eisenpreis' "revolutions" include:

• A *revolution in place of sales,* because retailers are not making the store space they have work hard enough.

"From 1972 to 1982, sales per square foot for the top 13 department and discount companies rose only 5.4 percent compounded annually . . . Not good," he said. Eisenpreis suggested using more advertising to draw traffic, and that retailers consider changing their stores from a departmental to a product-line basis.

• A *"people" revolution,* including a rehumanizing of the retail selling floor: "In the 60's and 70's, because of escalating wage costs and a tight labor market, many stores cut back on salespeople in favor of self-service. If we reposition store work as a rewarding career, practice outreach, provide effective training and discipline, we can create a new sales-floor environment."

• A *revolution in technology,* especially the computer.

"Computers can make the selling process more efficient," Eisenpreis said, "by showing the customers a wide selection of merchandise in a few seconds."

Eventually, he told his retail audience, "we may see your computer talking directly with the newspaper's computer. Your computer could be programmed to automatically send clearance ads into print when merchandise becomes outdated or reaches a predetermined inventory level."□

Gas-Grill Sales Seen Nearing 3-Million Mark by 1987: Arkla

Over the next four years, gas grills will gain share in total barbecue sales

Gas grills should steadily increase their share of the total barbecue business over the next four years, according to Arkla Industries, as industry sales climb to nearly 3 million units by 1987.

Last year, gas grills represented only 15.4 percent of all barbecue sales, Arkla research indicates; this year, that share should grow to 17 percent, with 1984 industry sales hitting the 2.2-million-unit mark. For 1985, the company projects industry sales of 2.5 million gas grills, with gas models accounting for 18.9 percent of total barbecue sales.

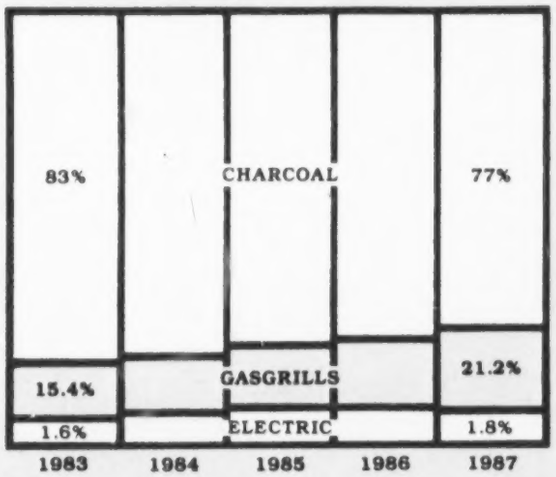
And by 1987, gas grills will represent 21.2 percent of the total barbecue market, with 2.9 million units projected to be sold that year.

Who's getting that gas-grill business? National department stores held 29 percent of the market last year, according to Arkla, with mass merchants representing another 22 percent of total volume. Appliance and specialty stores sold 14 percent of the gas grills in 1983, the company estimates, while home centers got 13 percent of the business and utilities got 10 percent.

From $151 to $200 was the most-popular price range for gas-grill sales last year, Arkla research indicates, while 30.1 percent of the sales came in the $100-to-$150 range. High-end models (priced from $200 to $299) represented 17.5 percent of the total, while under-$100 gas grills accounted to 12.6 percent of the business. Grills priced above the $300 mark represented 6.6 percent of total sales.

The gas-grill business continues to be heavily regional, with 42.5 percent of all sales coming in the eastern part of the country. The South is second-highest in sales, with 22 percent of the total.□

Barbecue-Industry Sales Projections (unit 5)



Source: Arkla Industries

Room at the Top

Robert D. Pollack has been promoted to marketing manager-garment care at *General Electric's* housewares operation. He was previously product manager-garment care for the housewares firm . . .

Jan O. Johnson is the new vice president of manufacturing for *Sunbeam Appliance Co.*; he was previously with *General Electric*. Also at Sunbeam, **Mark Austin III** has been named national sales manager; he was previously a regional sales manager with the firm . . .

Jeffrey L. Lake has been named national sales manager for *Regina*; he was previously with *Johnson & Johnson* . . .

Hobart Corp.'s KitchenAid division has named **Raymond D. Frey** sales promotion manager; he was previously the division's regional manager in Kansas City . . .

Paul Saxton has been named vice president, marketing, for *Sunbeam Appliance Co.* He was previously with Intermatic . . .

Newly elected head of the *Vacuum Cleaner Manufacturers Assn.* is **Kearney Kier**, of the Douglas division of *Scott & Fetzer Co.* **Robert J. Elsaesser** of *Hoover* was named vice president, and **Gilbert L. Dorsey** of *Eureka* is treasurer of the organization. . .

Broan Range Hoods Use New Design

Deliveries start shortly on Broan's new Microtek range hoods, using a new design the company claims "makes all other duct-free range hoods obsolete."

Don Schlegel, Broan executive vice-president, said the new Microtek range hoods use a multilayer filter design that is 36 times more effective than an ordinary deluxe range hood.

Broan's new Microtek System IV is used in its top-of-the-line convertible range hood, model 88000.

The Microtek system is being used in every duct-free and convertible range-hood model in the Broan line, and will be introduced in the company's Nautilus do-it-yourself hood line this month. The company has also designed a replacement filter using the Microtek materials for its previous range hood models.

Ductless models account for about half the range-hood market, Schlegel said.□

KitchenAid Plans More Cooking Appliances

Now that it's made its move into the cooking-appliance field, (MART, February, page 37), KitchenAid plans to add a new cooking-equipment product every nine to 12 months, according to President Glenn Olinger, who added, "Our first line is only the first step."

Why the move into cooking appliances for KitchenAid? "The premium built-in segment of the appliance business is attractive market," explained Marketing Vice President Chuck Evans. "It is upscale buyers looking for high quality and superior performance, not price."

The built-in market is also one in which no single brand dominates, he added.

The appliance dealer still holds the largest share of built-in appliance sales, according to KitchenAid research, with 34 percent of the built-in volume, compared to 29 percent for builders. And built-ins' share of the 28-million-appliance annual replacement market continues to be strong, Evans said.

KitchenAid is forecasting a 4.7-percent annual growth rate for the appliance industry through 1987.□

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ELECTRONICS '84

Music Video Moves to a Slow Beat

Rock videos are making noise, but their sales volume doesn't match the pitch

Last year the media, spurred on by M-TV, bombarded consumers with stories about the rock-video revolution. Video-software suppliers, buoyed by the mass-media flood, rushed titles to retailers, planning to cash in on the free publicity. And most video retailers were eager to accept all the music-software titles that had been made available.

However, when 1983 sales figures for music video were tallied, their market share was estimated at less than 5 percent of total pre-recorded-cassette sales.

Recent discussions MART had with video retailers nationwide tended to support these figures, with modest increases projected for music video for the first quarter. Yes, a lot of interest exists in music video, retailers say, but with few exceptions they are slow sellers, and do only average as rentals.

But, video dealers add, the category has major growth potential. If manufacturers take the nod from the best-selling Michael Jackson title, "The Making of Thriller," and start releasing more lower-priced cassettes, sales could soar. A recent study by F. Eberstadt & Co. concurrs with the retailers' evaluation, projecting that music video will expand to a 25-percent market share by 1988.

Meanwhile, video retailers are approaching music videos with caution.

"Sales and rentals of music videos have only been fair — I certainly wouldn't say they've been great," commented Jack Boisvert, proprietor of B and B Home Video, in Tewksbury, MA.

Strong rental music titles for Boisvert have included "The Compleat Beatles," "Tribute to Jim Morrison," and "The Charlie Daniels Band."

"We don't do much in sales of any of them, because the price is just too prohibitive," he said.

"However, what we rent probably reflects who our customers are — over-25 and under-40. That's probably also why we do well with some of the older Elvis stuff — it's always in particular demand. I wish we could get more of it — Elvis does well in both sales and rentals."

At Home Video Movies, in Lancaster, CA, most of the music-video action is in rentals, to a young crowd. "We don't stock too deep in music video — maybe 20 to 25 titles," said Jody Duntley, a salesperson at Home Video Movies. "With the exception of 'Thriller,' which is very hot, most

[Continued on page 48]

CD Suppliers Pool Resources To Promote Consumer Awareness

Joint hardware/software promotions are underway to educate the public

As second, third, fourth—and even some belated first—generation CD players roll out onto dealers' shelves this spring, digital audio compact disc manufacturers are gearing up promotional plans aimed at expanding consumer awareness.

"Even in a place like New York City, people don't know what CD's about," remarked A.J. Menozzi, Magnavox director of marketing of home audio. "CD will become very explosive in the fall, but only when software increases and consumer awareness is raised," he prognosticated. "I suspect about 2,000 contemporary titles will be available this fall," he continued.

Explained Emiel Petrone, Polygram Records senior vice president for compact disc marketing, "Europe and Japan had time to promote CD before its launch in October of '82. As a result, awareness and demand were so high that software supply was funneled to Europe and Japan instead of to the states.

"In actuality, the U.S. launch was premature. Initially it was targeted for January, 1984, not April of '83," Petrone and Menozzi told MART.

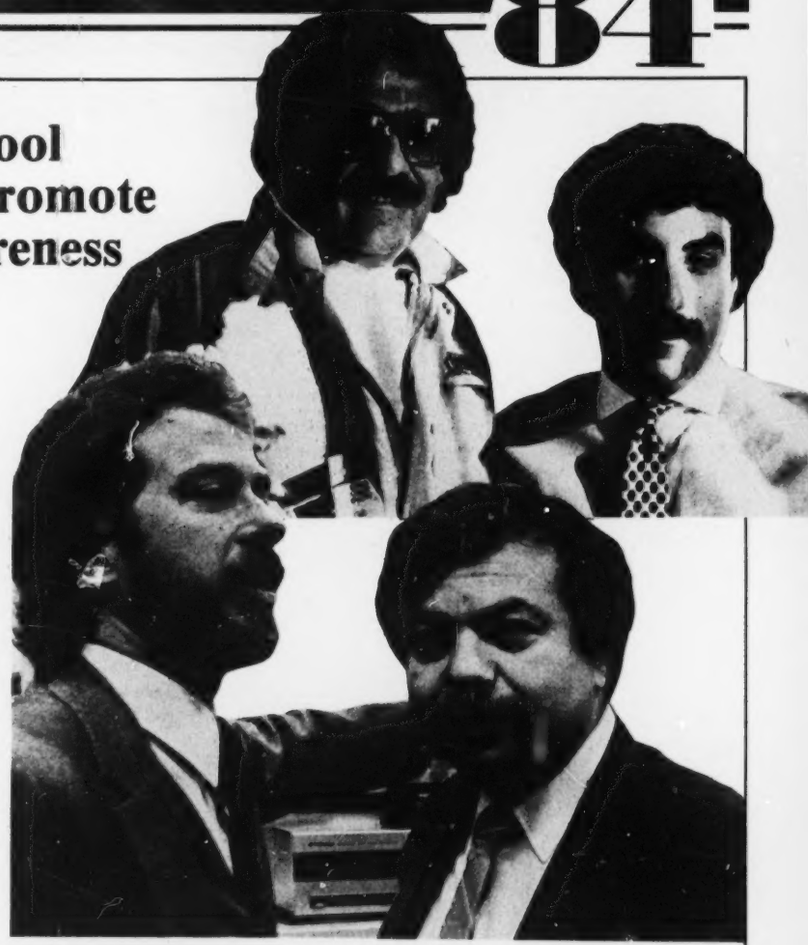
Petrone projects 15 million discs will be produced in '84 for domestic distribution, compared to 40.5 million discs available worldwide. "With the opening of the Terre Haute, IN, CBS/Sony plant later this year and increased production by all record companies, including Polygram, WEA, CBS/Sony, et.al, distribution in '84 should climb from 1,000 record stores to over 7,500 outlets in secondary markets," he told MART.

"Major markets such as New York, Los Angeles, Chicago, Boston, Detroit, and even Atlanta are less short in inventory on discs than elsewhere in the country," Menozzi added. He also pointed out that Lauries Record store and classical radio station WFMT in Chicago—which uses a Magnavox CD player—has also done a lot to boost CD awareness.

Yet Magnavox is holding off on a major promotional campaign until "more hardware is available," Menozzi admitted. With the fall launch of two new players—FD 2020SL and FD 3030SL at $699 and $799, respectively—"a line-up of major fall events will begin, especially as product reaches our major distribution."

Sony Corp. of America is supporting its commitment to consumer awareness by maintaining a busy promotional schedule this spring. Heading up the agenda is a joint promotion with Bose, CBS/Sony, WEA, and Polygram to sponsor the "ultimate Date with Digital" at the Dayton, FL,

[Continued on page 44]



Dealers can expect more CD support this year: (clockwise from top left) Polygram's Emiel Petrone sees broadened distribution reaching more than 7,500 retail outlets; Al Menozzi of Magnavox plans 'a line-up of major fall events'; Kenwood's Sam Rosenzweig is shipping a flagship player; Pioneer's Chris Byrne plans a cross promotion between hardware and software.

Wanted: More Consumer Education on Phones

Heavy ad and promo support is available to dealers from telephone manufacturers

Recognizing the fierce competition in the telephone industry today and the need to educate the consumer and support dealers, major telephone manufacturers are beefing up their advertising and support campaigns, ready to charge ahead into 1984.

"Both the manufacturer and the dealer have to do a better job of educating the consumer; consumers need convincing as to which product is best this year," Stephen Lanzilla, national sales manager at GNT Automatic, told MART.

"GNT will help with increased advertising in consumer publications that address our marketplace, and provide more displays and point-of-purchase materials," he added.

"In addition," he noted, "we have completely redesigned our packaging. It now has a lot of eye appeal and plenty of information for the consumer right on the box. If a salesperson is busy, the consumer can read and find out how the phone works, what features are available, and how it will benefit him or her."

To stress company image or create brand-name awareness, Cobra Communications will be advertising nationally on television from March through December, tracking the presidential campaign and the Olympics.

"This will be supported, in addition, with a print campaign in ma-

[Continued on page 45]

CD Suppliers Pool Resources To Promote Consumer Awareness

[Continued from page 43]

boardwalk Music Fest, held March 22-26. "We'll be going after the college students by exhibiting and demonstrating CD for kids on spring break," declared Marc Finer, Sony national promotions manager. Remote broadcasts from radio station WDIZ will flood the area, and music video clips showing artists on CD will also be presented. CD-sized frisbees will be dispersed as well.

To reach the hi-fi enthusiast, Sony has also organized a digital audio club. For a membership fee of $15, members receive "Sony Pulse," a quarterly newsletter about CD; a CD disc catalog; technological information and booklet; a poster of Sony's "7th Row Center" ad slick; and a CD sampler of digitally recorded jazz pieces, valued at $20. "We already have 1,000 active members," Finer confided.

'Basic players with no frills, no thrills—that is, no programming or remote control—at under $300, even $199, is feasible by 1986.'

On Sony Digital Nights in 22 markets nationwide through April, dealers will be judged on their efforts to display and demonstrate digital to Digital Club members. A prize will be awarded. The promotion will also reach smaller markets, such as Rochester, NY, Cedar Rapids, IA, and Tuscon, AZ.

And Sony plans to continue its joint promotion with CBS/Sony, Telarc, and WEA: with purchase of a Sony CD player, consumers can choose five discs from a selection of 23. "We want to offer retailers a promotional value which will highlight the high performance of the player rather than its price. And for retailers who ask, 'Is there enough software?', Sony is providing 23 selections as an assurance of availability," Finer concluded.

Sony is also providing collateral material and segues to 200 classical and jazz radio stations to tout CD. For example, to build consumer awareness in the four key markets of New York, San Francisco, Chicago, and Los Angeles, Sony prepared 10-day promotion with Polygram in February which featured interviews with Pavarotti, while tying in one key hardware and software dealer in each market.

Fisher Corp., which heavily promoted its $2,500 4900B rack system featuring the 4100 CD player, in its fall Bolero TV campaign in New York, Chicago, Los Angeles, and San Francisco, may continue this tactic the beginning of this year. The firm is introducing three new lower-priced systems, ranging in price from $1,300 to $2,000.

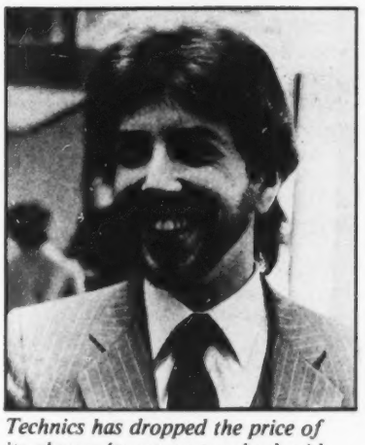
"CD will be wonderfully explosive in the second half," concurred David Karron, Fisher senior vice president of sales. "I am confident laser technology is here to stay."

Although Kenwood Electronics has begun shipping a flagship CD player in the $700 to $750 price range, the firm plans no promotional plans until more product is available. "Our player was rated the best of 21 by an independent survey in Japan. When dealers heard this, interest levels went up," Sam Rosenzweig, marketing vice president of home audio, told MART.

"But I'm also concerned about price point. If the market dictates a certain price and a unit is overloaded with features, such as a 50-watt receiver, it may only sell for $300 rather than $500. However the CD story is different.

"But CD acceptance will arrive when there are 3,000 titles and prices come down on disc software. Basic players with no fills, no thrills—that is, no programming or remote control—at under $300, even $199, is feasible by 1986," he projected.

Vince Wheeler, Aiwa national sales promotional manager, is also concerned about the price of players dropping below $200. "We held off introducing a CD player because price erosion is creating a loss in profitability right now. I hope the market settles down as vast quantities go out to today's consumer."



Technics has dropped the price of its players 'to generate sales,' said Paul Foschino.

Technics, which entered the marketplace in '83 with the SL-P10 player at $1,000 "to excite the consumer," according to Paul Foschino, merchandising manager, is now lowering the price on its SL-P7 and SL-P8 to below $600 and $700, respectively, in order to "go beyond educating the consumer and generate sales." Toward this end, Technics offers five free discs with each player purchased.

Hitachi Sales Corp. of America is also involved with giving away free software. "We're offering three free discs solely on our own," revealed Jon Duncan, area sales manager. "Consumers are still interested in CD, though they're not yet educated about it.

"However, by next Christmas, all manufacturers will come in with aggressive price points. And within the next 24 months, you'll also see third- and fourth-generation players that offer quality, value, and innovation at affordable prices."

Because Hitachi's new DAD 1010 player will be in limited supply, the firm is pushing its DAD 800 model, "with a one-year parts and labor warranty, not 90 days," added Duncan, as one of five anniversary pieces in its 20th anniversary Sell-A-Bration ad campaign. However, the DAD 1010 player is priced between $595 and $495 "to cultivate business at the mass merchandising level," continued Duncan.

Pioneer Electronics U.S.A. is introducing its CD players at "the mid price point of $749.95, which is geared for the mass consumer," noted Chris Byrne, vice president of marketing for home audio, "because an awareness factor is needed. But an incredible number of titles are becoming available faster than hardware, and by Christmas, supply should be adequate."

Bryne projects CD players will become mainstream adjuncts to home sound systems by '85. "Retailers are not afraid to sell the machine either," he said.

Pioneer plans to introduce additional players this year, offering step-up features. A cross promotion between hardware and software is also underway.

Called the "darling" of the audio industry by JBL President Jim Twerdahl, over 150,000 CD players are expected to sell in '84, an increase of 250 percent over 1983's factory shipments of 35,000 units. Dollar volumes are expected to climb to $60 million in '84, up from $15 million in '83.

Currently about 550 disc titles are available. Over 1,000 titles are due in April. And all the major record companies are planning on producing old as well as new titles in the CD format.

For example, Polygram Records has already released the first simultaneous versions of John Lennon/Yoko Ono's "Milk & Honey" in album, cassette, and disc format. In 1983, it produced 6 million discs and 200 titles, at its Hanover, Germany, plant, and plans to release 500 titles, or a total of 15 million, this year. Combined with titles custom-pressed for other labels, a total of 1,400 titles will be pressed in '84, according to Hans Gout, Polygram Senior Director for compact discs.

When CBS/Sony opens its 103,000-sq.-ft. factory in Terre Haute, IN, this summer, it plans on producing up to 11 million discs a year.

RCA Records plans to release 15 titles every other month. Delos Records hopes to have 45 to 60 titles by year-end; AM Records offers 40 titles so far. Telarc has 28 now, and hopes to offer over 50 by year-end by converting its back catalog and simultaneously releasing CDs and LPs. Mobile Fidelity Sound Lab is issuing four original master recording CDs, featuring Alan Parson, AL Stewart, Sonny Rollins, and Ravel.

In addition, the CD Group, currently consisting of 31 hardware and software suppliers, plans a $400,000 promotional program this spring. Slated are retailer road shows and CD celebrations in the New York and Chicago markets—"to educate salespeople and the market, and to win the hearts and minds of consumers on the retail floor," noted Steve Traiman, vice president and executive director of Recording Industry Assn. of America.

Software displays designed by Deijon will also be offered to dealers, in addition to a bi-monthly newsletter about CD players and promos, aimed at retailers.□ LESLIE A. AZIA

COMPACT DISC PLAYERS

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)
1983 (proj.)	35	15
1984 (est.)	150	60

Source: EIA/CEG

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June 1984

MART® 84

Business Ideas Today's Retailer Needs to Know

A Gordon Publication

Are You Paying Your Sales Staff Too Much?

Home Computing Retailer
Watch Out for Apples and Lemons

RETAILING 84

- Making Your Store a Community Resource
- How 'The Good Life' Provides Just That

ELECTRONICS 84

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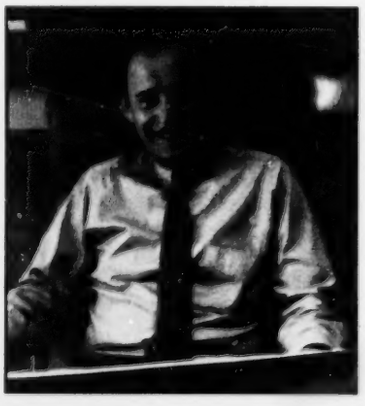
- Gas, Electric Ranges Cooking on Front Burner
- Will Appliance Sales Break Records This Year? Could Be...

Spotlight:
Macy's New York's Hank Greenberg



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Beware of Apples and Lemons

Cover photograph by Rick Barrick

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RETAILING 84

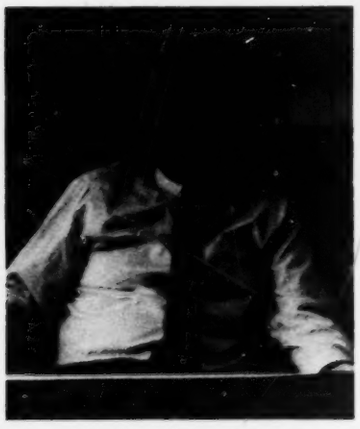
Spotlight

Macy's NY's Hank Greenberg

Keeping on top of the 'growth' areas is key to Macy's success

"What Macy's has done very successfully is to identify the growth businesses early on," replied Hank Greenberg, senior vice president of Macy's New York, when asked how consumer-electronics sales have been developing at the store.

Concurring were Steve Considine, merchandise manager-audio electronics and microcomputers, and Joe Pennachio, merchandise manager-video, cameras, and floor coverings, who



Senior VP Greenberg attributes the success of the Computer Store to its major brands.

were also present in Greenberg's large, bright office on the ninth floor of the flagship store during MART's interview.

"Macy's New York has been evolving programs in the electronics business for over 25 years. This is probably the most exciting area of merchandising today because of the constantly new technological developments, which make it such a rapidly changing market," Greenberg added.

The most recent addition to the department is the Computer Store, now marking its 17-month anniversary. According to Greenberg, Macy's New York was the first department store in the city to offer a full microcomputer selection . . . as of late April, it was still the *only* one.

The Macy's executive spoke with authority and enthusiasm. In the 27 years he has been with the store, he has worked in almost every hardgoods area.

Whether selling computers or any other item, Greenberg believes it is necessary to carry the major brands

[Continued on page 14]

Are You Paying Your Staff Too Much?

What's the going salary rate for a retail salesperson these days? Or a store manager? Or a service technician? And what can you expect to earn when you rise to be president?

To find out what the income levels are at retail these days—and to give store owners and executives a change to match their operations' salary levels with the current scale around the country, MART surveyed the top management of 1,000 stores, then broke out their answers by type of store and annual volume level.

If you're a store owner with the nagging feeling you're paying your employees more than the going rate, here's your chance to find out. And if you're a salesperson or manager who feels you're being underpaid, this could be the evidence you need to negotiate for a raise.

We also look at trends in commissions, benefits such as insurance, and vacation standards . . . and take a look at the kinds of raises retail salespeople can expect to receive this year.

Our survey begins on page 10.□

Brick Church Charts 50-Percent Gains

Effective sales training, merchandising, and advertising are key to this operation

The sign in the entranceway to the Orange, NJ, store of Brick Church TV & Appliance reads: "We used to sell these. Look at the improvement and greater value we offer now!" An anachronistic icebox, old-fashioned range, and oven sit in the corner.

But the three-generation Brick Church operation offers much more than just rows and rows of modern appliances and electronics. It prides itself on 51 years of know-how and professionalism.

"We offer a competitive price, knowledgeable salespeople, and a 50-year-old reputation," declared Chuck Lubetkin, president. The profitability of the company is exemplified by its gains in brown and white goods, in such categories as video cassette recorders, color TV, audio, microwave ovens, and laundry, which in many cases exceed industry gains.

VCR, for example, especially in the VHS format, is growing at Brick Church at a rate in excess of 50 percent. VHS units that are cable-ready, with wireless remote control, priced between $449 and $529, are particularly popular.

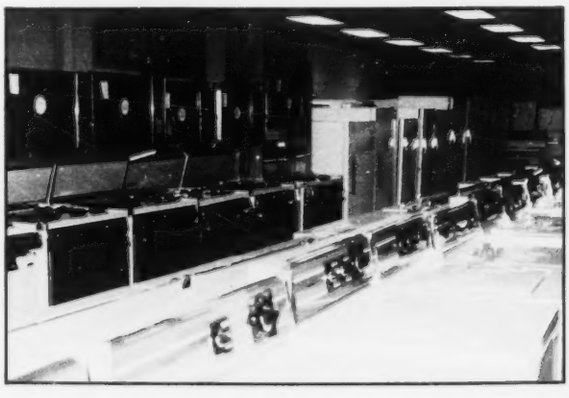
Even though Lubetkin admits to being a "late starter" in the category, he noted that "VCR is growing at a great rate, because we have become knowledgeable over the years about how to do business, and we are professional in our business approach."

Defining that approach, Steven Weintraub, executive vice president, explained, "We're involved with training our salespeople, merchandising effectively, and advertising effectively.

"We also offer a big selection and big displays that are appetizing. For instance, a gray decor prevails in our stores, highlighted with red, black, and silver. And brown-goods areas are carpeted and have dramatic, subdued lighting to create the proper atmosphere to sell audio and demonstrate TV, compared to white goods, which are brightly lit. We use a showroom approach rather than a warehouse approach."

In fact, the chain's two newest outlets, in Tinton Falls and Edison, NJ, boast 15,000 sq. ft. of selling space, and are appropriately named Super Stores. The audio department in each Super Store, for example, takes up 3,000 sq. ft. alone, with components, systems, portables, and radios displayed in a long stream, bespeaking volume.

"We realized that in order to go into the audio business, we needed to utilize floor space effectively to merchandise it, without making another area suffer," Weintraub pointed out.



White goods account for 40 percent of the chain's sales volume, buoyed by replacement demand.

Only 1½ years ago, audio was a new entry for Brick Church. Although audio on an industrywide basis had been soft, it is now quickly capturing about 15 percent of the company's business, and has enhanced the other consumer-electronics categories' business as well.

"We elected to go into the audio business because we had established a

[Continued on page 22]

Are You Paying Your Sales Staff Too Much . . . Or Too Little?

MART's exclusive survey traces retail salary patterns; see how your store compares

What's the going rate for floor salespeople in today's appliance/TV stores? How much can a service technician make in a high-volume consumer-electronics chain? What can you expect to earn if you own your own specialty store?

To find out, MART surveyed more than 1,000 owners, presidents, and managers of retail stores in a variety of categories: appliance/TV store, consumer-electronics store, specialty store (including telephone, video, and hi-fi specialty operations), department store, and mass merchandiser. We promised them anonymity if they would level with us on current salary patterns in their operations, rates of commission and/or bonuses, benefits such as vacation and insurance, and what they expect to give employees in the way of raises this year.

What our survey discovered could be taken as good news or bad news, depending on whether you sign the pay checks or cash them, and how your store's salary levels stack up against our sample. Are you paying your sales staff too much . . . or too little?

Salary rates for most stores selling consumer-electronics products and major appliances — whether they are specialty operations or carry a broad cross-section of products — generally rise as the store's sales volume rises, with some exceptions. But don't expect those salary levels to rise too sharply this year — among the retail owners and managers MART contacted, 41 percent do not plan to give their employees any salary increase this year.

Of those who do plan to give raises, the average amount will be only 6.1 percent of the employee's current salary.

Where's the money in retailing today? If you're starting out as a floor salesperson, your best bet would appear to be joining a specialty operation with a sales volume over $5 million — the highest average salary ($26,000) reported for that job was in high-volume specialty stores. The second-highest average salary level for floor-sales personnel ($25,200) was reported by owners and managers of appliance/TV stores that did from $2.5 to $5 million in sales annually.

In larger-volume stores, the next step up from selling on the floor is to become a buyer or merchandise manager (those job titles generally do not exist in low-volume appliance and electronics outlets). A buyer for a high-volume (over-$5 million) appliance/TV operation can expect to earn $35,000 on the average; in a consumer-electronics store, that salary level goes up slightly. A merchandise manager in an over-$5-million appliance or electronics outlet generally earns in the $40,000-to-$48,000 range, according to MART's survey.

But maybe service, rather than sales, should be the choice of someone launching a career. For most of the stores MART surveyed, service technicians earn as much as (in the higher-volume outlets) or more than (in most lower-volume stores) the men and women on the selling floor. Only in the highest-volume operations we contacted were salespeople earning significantly more than service technicians.

Of course, many salespeople are paid bonuses and/or commissions in addition to their base salaries . . . but, according to our survey, not as many as might be expected. Only 36 percent of the management personnel MART contacted said their stores pay commission on goods sold, and only 39.2 percent offer performance bonuses.

Don't expect salary levels to rise too sharply this year — 41 percent of these retail owners and managers do not plan any salary increases.

Specialty stores offered the highest commission rates; of those that do pay commissions, the average percentage of sales was 9.3 percent. Consumer-electronics stores that pay commissions have an average rate of 6.2 percent, while appliance/TV stores generally pay an average of 6.1-percent commission, according to MART's survey. Most department stores and mass merchandisers responding to our survey do not pay their sales staffs commissions; when they do, the average is 4.2 percent for department stores and 3 percent for mass merchants.

Most service technicians, on the other hand, do not work on commission: only 12.5 percent of the stores MART contacted said they pay commissions on service work.

A salesperson rising through the ranks to become store manager can expect to earn sharply more in a specialty operation (in some cases double the average salesperson's salary), while in a consumer-electronics or appliance/

[Continued on page 12]

CONSUMER-ELECTRONICS STORES
Average Salary Paid by Sales Volume

Title	Under $500,000	$500,000 to $1 mil.	$1 mil. to $2.5 mil.	$2.5 mil. to $5 mil.	Over $5 mil.
President/ Owner	$26,500	$30,000	$46,667	$78,333	$83,333
Store Manager	$21,166	$19,510	$18,000	$24,851	$29,975
Floor Salesperson	$14,150	$11,160	$14,125	$22,833	$22,060
Service Technician	$16,743	$14,430	$14,250	$26,000	$18,267
Merchandise Manager	—	—	—	$39,000	$40,000
Buyer	—	—	—	$50,000	$36,666

Source: MART research

APPLIANCE/TV STORES
Average Salary Paid by Sales Volume

Title	Under $500,000	$500,000 to $1 mil.	$1 mil. to $2.5 mil.	$2.5 mil. to $5 mil.	Over $5 mil.
President/ Owner	$19,999	$36,375	$36,400	$43,500	$71,400
Store Manager	$12,867	$18,829	$20,285	$27,000	$29,000
Floor Salesperson	$ 8,247	$17,958	$16,186	$25,200	$22,000
Service Technician	$12,611	$15,216	$16,325	$18,500	$18,175
Merchandise Manager	—	—	—	—	$48,000
Buyer	—	—	—	—	$35,000

Source: MART research

SPECIALTY STORES (TELEPHONE, VIDEO, HI-FI)
Average Salary Paid by Sales Volume

Title	Under $500,000	$500,000 to $1 mil.	$1 mil. to $2.5 mil.	$2.5 mil. to $5 mil.	Over $5 mil.
President/ Owner	$32,500	$36,575	$43,000	$68,544	$80,200
Store Manager	$28,100	$22,000	$25,245	$28,070	$28,990
Floor Salesperson	$10,800	$11,833	$13,700	$21,000	$26,000
Service Technician	$15,700	$12,900	$15,500	$22,100	$24,900

Source: MART research

Are You Paying Your Sales Staff Too Much . . .?

[Continued from page 10]
TV store the difference generally ranges from 25 to 50 percent. And, according to our survey respondents, store managers are more likely to receive bonuses and/or commissions based on the store's total sales, or other perks such as additional vacation time.

The salaries of the president/owners who responded to our survey may be deceptively low. Especially in the cases of those who own their own stores, salary may be only a small part of top management's compensation package, depending on how the corporation is structured. In general, however, salary levels at the top appear to be highest for presidents and/or owners of consumer-electronics operations, lowest for the heads of appliance/TV stores.

When it comes to benefits such as insurance and vacation time, not much variation turns up among the various types and sizes of stores. Of our total retail sample, 64.2 percent offer all employees some form of health insurance, while 54.5 percent provide life-insurance coverage.

As for vacation policies, the most common are two weeks paid vacation after two years' employment (offered by 65.3 percent of our retail respondents), two weeks after five years, by 58.8 percent (although another 25 percent of these stores offer three weeks vacation after five years), and three weeks after 10 years (by 42.2 percent, although another 31.3 percent still give only two weeks vacation after 10 years).

Profit-sharing has not made many inroads into retailing, according to MART's survey. Only 24.6 percent of these stores offer any type of profit-sharing program, although those that do generally make the programs available to all employees regardless of salary level (although usually on a graduated percentage basis depending on job title).

And how much can retail employees expect to be making at this time next year? Those with the worst prospects appear to be those who work in small (under-$500,000 volume) consumer-electronics operations, in which only 30 percent of store management said they plan to give any raises at all. The average raise among all the consumer-electronics stores MART surveyed will be 6.2 percent (for the 56 percent of those stores that will give raises at all).

Salary may be only a small part of top management's total compensation package.

Among appliance/TV stores, the average raise planned — by the 69.4 percent of the respondents in that category who plan to give raises — is 5.9 percent. And 67.8 percent of the specialty-store management MART contacted said they plan to give employees an average increase of 7.4 percent this year.

Department-store employees can expect an average increase of 4.2 percent this year (but 75 percent of the department stores responding to the survey *will* be giving raises), while 70 percent of these mass merchandisers expect to give raises averaging 5.3 percent of current salaries.

What does all this mean? While the number of retail executives responding to MART's survey was too small to be projectable to the retailing community as a whole, the survey does offer some insights into which types of stores are paying the most (or the least), and what types of fringe benefits are generally available in the appliance/electronics retail industry.

The results could be used as ammunition by employees lobbying to increase their take-home pay . . . or as a defense by store management trying to keep overhead down. How does your store stack up?. . .□

CATHY CICCOLELLA

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HOME COMPUTING RETAILER

Recreation Software Fights Back to Stimulate Market Growth

Sophisticated effects, graphics help add pizzazz to the flat game market

Recreation software, once the darling of the home-computing market, has experienced some dramatic changes. Once it was a business chock-a-block with arcade hits that scored dramatic sales numbers for a fleeting period, then dropped from sight. Now it has evolved into a business of sophisticated programs that keep selling long after the initial-introduction hoopla dies down.

A look at Softsel's weekly hot list of the 30 top-selling recreational titles, for example, shows that more than half of the titles have enjoyed best-selling status for more than 40 weeks. Of course, the list continues to contain several offshoots of hit arcade games, but several of the hits, such as Sublogic's "Flight Simulator" series, employ state-of-the-art sound effects and graphics and a variation of experience, designed to appeal to a growing number of home-computing sophisticates.

"People want more sophisticated games," explained Jim Moss, who evaluates software for the Game Preserve, in Indianapolis, IN. "They want to know they're buying something that's going to keep them entertained for a long time. They're looking for something that's going to keep their playing cost down below a dollar an hour. People are seeing more programs that fit that description, and that's making recreation software an old-favorites business, as well as hurting the arcades."

'We're designing with fantastic animation, plus more color and sound; we know 3-D images are the wave of the future.'

The vast majority of recreational software Moss sells at the Game Preserve is for home computers. He no longer stocks titles for dedicated game consoles, because of the rapid drop in demand for that format in his market. Game sales have dropped dramatically from 1982, when more than 8 million units were sold. This year it's estimated that 5 million units will leave retailer's shelves.

"Sales figures showed that video consoles outsold computers by a three-to-two margin for all of 1983," said Dave Ruckert, executive vice president of the Atari Products Co. "The latest Gallup poll indicates the sale of video consoles for 1984 will be as high as or slightly higher than in 1983. Gallup estimates that between 4 and 8.8 million video-game consoles are likely to be sold, and hardware sales translate into software sales."

"Game consoles are still a viable entity," agreed Robert Katz, vice president/marketing sales of Home Computer Software. "But the makers of the software for them have to realize that prices must come down. The consumers today who are buying dedicated game consoles for $50 to $100 don't have the same kind of disposable income as someone who buys a PC has to spend on cartridges or discs."

The makers of dedicated game consoles are keeping relatively low profiles these days, but all say they are committed to the business. However, all the major manufacturers have made moves in the last year that are clear admissions to the reality of the shift in the recreation arena from the game console to the home computer. The expansion module to transform ColecoVision into The Adam, the formation of Atarisoft, and a spate of hardware rebate programs all reflect the shift towards the home computer.

Still, recreation software for home computers has hardly been a bonanza for retailers. But that's not to say there hasn't been any entertainment business, and that there's not room for growth. A recent survey by Link Resources, for example, show that more than 60 percent of the consumers surveyed intend to use their home computers to play games.

"The recreation market has been flat for the last year. If you look at the percentage it represents of our business, the drop in three years — from about 90 percent to 10 percent — is dramatic," Dave Blumstein, vice president of sales of Softsel, told *HCR*. "But that's not the real story. If you looked at the actual sales figure for recreation software, it has doubled in the last three years.

"But the recreational-software business *has* changed — people are much sharper about what they buy. We've seen fewer successes in recent months — products that capture the consumer's imagination. I think there are going to be some technological changes in the next few months that will bring some of the excitement back to the recreational market."

Several of the software publishers who spoke with *HCR* promised to fulfill Blumstein's expectations by bringing new excitement in the recreational market during the second half. Atari has announced that it will be distributing two titles from Lucasfilm's software division. The titles, "Ballblazer," a futuristic sports-fantasy game, and "Rescue on Fractulus," a search-and-rescue flight-simulation package, are filled with the "Star Wars" special-effects touch.

Meanwhile, Sublogic, publisher of "Flight Simulator," "2nd Night Mission Pinball," is preparing software to take the home-computing maven into the stratosphere.

"We're designing with fantastic animation, plus more color and sound; we know 3-D images are the wave of the future," commented Norm Olson, vice president/marketing of Sublogic. "We're developing two programs now that will be big leaps for the market — one is a jet-fighter simulator, and the other is a space-shuttle simulator that takes you right out of this world."

"There's no doubt that more-imaginative recreational programs are on their way to market," observed Cathy Carlston, vice president for development of Broderbund Software. "The industry has gotten further away from arcade games and more toward programs that provide adventure. Recreational software is becoming more like a personal-productivity tool."

Carlston added that Broderbund is approaching software development with a "Hollywood-studio" approach, working with top animators and concentrating on story line to give its software packages "true personalities." One of the 10 new recreational titles Broderbund introduces this month is a new adventure game, filled with 3-D effects, that takes place under and over water, designed by Danny Goren, author of the Megahit, "Choplifter."

"Conventional wisdom is that the blush is gone from the rose in the computer-game business," opined Lawrence Honig, president of Though Products, a new-technologies marketing-and-research firm. "But the conventional wisdom is usually wrong. Home computers are still a bit shy of the power needed to play truly visionary games. But the hardware is getting there — witness the big push by Apple with its II series into the home. Authors of recreational software will rise to the challenge — they know that people are always looking for creative ways to spend their time and money."□

JIM ROBINS

HOME COMPUTER APPLICATIONS

Application	# Using	% Using
Base = 280 Home computer owners		
Game playing	185	66.1
Programming	169	66.4
Filing/storing information	136	48.6
Teaching aid for family	126	45.0
Home management/taxes/budgeting	98	35.0
Word processing	84	30.0
Making graphs and charts	82	29.3
Home banking	34	12.1
Trading stocks	24	8.6
Accessing information elsewhere	21	7.5
Sending message/mail	18	6.4

Source: LINK Resources Corp.

Newswatch

A new computer company, Angelsoft, has been launched to develop computer programs and other products for the consumer market. Initial products include a line of computer software for children licensed to Mindscape, a new electronic publishing subsidiary of SFN; the software will be available later this year, compatible with Atari, Commodore, Apple, and IBM computers . . .

Watch Out for the Apples and Lemons:

This should be a banner year for high-end home computers, as Apple, IBM slug it out

1984 will be a revolutionary year in the home-computer market—the year the low end gives way to the high.

As the past few years have been in the world of business computing, this will be the year of Apple vs. IBM. And in the home, the victor in the near term will be the newly aggressive underdog from Silicon Valley: in the home-computer market, 1984 will be the year of Apple.

The competition won't commence from a standing start. According to a recent Link Resources consumer survey, Apple already has just over 8 percent of the home market on a units-installed basis—Apple ranks fifth among home-computer vendors in the home base. IBM is not far behind, with almost 5 percent of the base, all of its installed machines being PCs, not PCjrs.

The surprising fact is not that these companies have secured this turf in the home, but that over the next two years Apple and IBM look to outperform and overtake the leading *home*-computer vendors: Commodore, Texas Instruments (1979-1983), and Atari. Commodore and TI came out of the 1983 price wars each with about 25 percent of the installed base, and Atari has captured about 10 percent.

The home-computer market exploded last year in more ways than one. Despite the exit of several players, 4.5 million home computer were sold. Link defines a "home computer" as a personal computer purchased with household funds for use exclusively in the home (the definition also excludes portables and programmable calculators).

In a consumer telephone survey conducted last February, 4,237 households were contacted and 280 home-computer households were found and interviewed, which projects out to a home-computer penetration of 6.9 percent of U.S. households (about 5.9 million home-computer households). Because of multiple ownership—8 percent of home-computer owners can't get by with just one—the actual number of home computers in use is about 6.25 million.

When queried about their buying intentions, consumers who haven't yet jumped on the home-computer bandwagon gave growing evidence of a banner year for the high-end vendors, and in particular for Apple:

- Two out of five people who intend to buy a home computer in 1984 said they intend to buy an Apple; one out of four intend to buy IBM. But only one in 10 want a Commodore, and only one in 20 an Atari. There is clearly a revolt against low-end product—particularly compared to low-end models' dominance in sales through 1983.
- The low end will not disappear, however: One in four consumers ready to buy in 1984 intends to spend less than $300 on home computer. But this 25 percent intention is matched in two other, higher, price ranges: the mid-range, $500 to $1000, and the high end, $2000 and more. Each price point attracts a quarter of the 1984 market, a significant upward migration from last year's price declines.
- Price cuts on the IIe and the introduction of the IIc and, at the high end, what many consider the very reasonable price of the Mac position Apple perfectly to take advantage of the upward shift in spending. And although PCjr sales in the second quarter have been sluggish, IBM also has the product range in place to cash in on an increasingly price-insensitive market, although it will have to tinker with the details to make PCjr's sales accelerate.
- The vendors of 1984 are in disarray: Commodore, Atari, and perhaps even twice-shy TI will have to scramble to catch up. Coleco had the right concept with Adam, but the execution has been another matter, many retailers feel.
- The post-recession boom in consumer spending and the well-publicized blow-out at the low end will combine to draw consumers to higher-ticket home-computer purchases—the "why not the better?" syndrome.

The vendors of 1984 are in disarray, according to David Lamb: 'Commodore, Atari and perhaps even twice-shy TI, for example, will have to scramble to catch up.'

The 1984 shift in buying patterns has deep implications for peripherals and software aftermarkets and for retailers. The Link survey illustrated a wide gap in usage and peripherals ownership between people with a low-end home computer and those with an Apple, IBM, or Tandy.

Many of last year's purchases—which account for about three-quarters of the installed base—seem exploratory or opportunistic in light of the uses the machines are being put to. They might be characterized as "learning machines"—people are buying them more to learn what to do with a computer than to do something with them.

Predictably, last year's best sellers—the Commodore 64, the TI 99/4A, and the Atari 800—are used primarily for game-playing, programming, or as a household educational aid. All are applications which demand only small-ticket software purchases.

The high-end machines—what might be called true 'appliance' computers—exhibit different usage and software-purchase characteristics. In fact, the uses they are put to in the home closely resemble traditional office usage patterns and categories.

Word-processing, financial analysis, and filing/storing information are all used to a much greater extent in tandem with high-end machines than with the cheapies.

One category in particular seems key to the high-end/low-end distinction is home management/budgeting/tax-management, which also represents one of the highest growth areas for home-computer software.

High-end home computers behave more like business computers. And with more product introductions aiming at this 'home/business' market—the expanded Apple II series, the PCjr, and the slew of lower-priced portables—home/business computers will absorb a significant amount of future home-computer households. And just as the higher hardware price looks more palatable to a retailer, so, too, does the software aftermarket.

The same trend carries through to peripherals. High-end home computers are more apt to be equipped

HOME-COMPUTER-PERIPHERALS OWNERSHIP

Percent Owning Peripheral

Peripheral	Price of Computer Under $300	$300-999	$1,000+
Floppy-Disk Drive	15 %	39 %	67 %
Video Monitor	5	17	45
Dot-Matrix Printer	9	29	49
Letter-Quality Printer	4	14	19

Base = 280 home-computer owners

Source: Link Resources Corp.

HOME-COMPUTER SOFTWARE APPLICATIONS

Percent Performing Application

Software Application	Price of Computer Under $300	$300-999	$1,000+
Game-Playing	71 %	77 %	50 %
Teaching Aid	44	52	42
Programming	56	73	61
Word-Processing	14	31	57
Graphing/Charting	22	33	38
Filing/Storing Information	35	64	63
Household-Management/Tax	29	35	47

Base = 280 home-computer owners

Source: Link Resources Corp.

Here Comes the '84 Computer Revolution

with disk drives, video monitors, and printers. Consumers laying out more money for a computer are also willing to lay out more for peripherals, either at the initial sale or later on. Increasingly these peripherals are bundled into the initial sale: Three-quarters of Apple's computers, for instance, are now sold with a video monitor.

The 1984 home-computer revolution has critical consequences for retailers. The Apple and IBM computers are sold through specialty outlets—that is, computer stores. Mass merchants and audio/video/computer stores will have to adjust their habits in order to break into the fiercely protected exclusive dealer networks of the computer manufacturers.

Mass merchants and audio/video/computer stores will have to adjust their habits in order to break into the fiercely protected dealer networks.

To succeed in both getting a high-major end home-computer franchise and operating it, a retailer must:

- Staff up with computer-literate salespeople.
- Set aside a sanctum for the "serious" computers—No "kid stuff" here.
- Stock several high-end lines; this helps create legitimacy.
- Advertise heavily in an increasingly consolidated and competitive environment—which shouldn't be anything out of the ordinary for most electronics retailers. . .

Taking the pains to stake out a "real" computer franchise will pay off. Of the 5.5 million home computers Link expects to be sold this year (a similar volume is expected in 1985), about a third will cost less than $300, about a quarter will cost between $500 and $1,000, and about 40 percent will cost over $1,000.

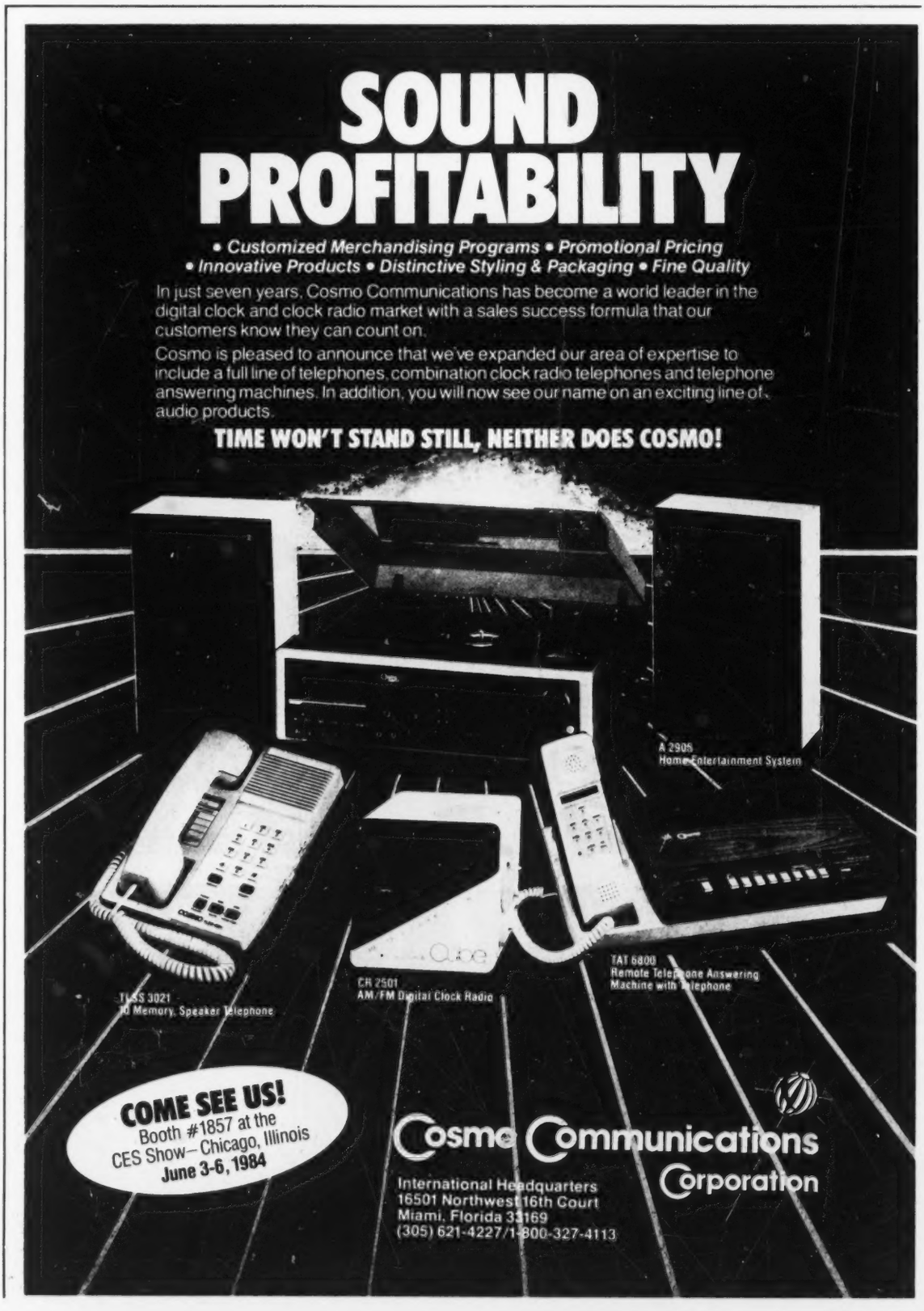
The unit distribution—radically different from 1983's primarily-under-$300 market—is not too exaggerated, however. But the dollar volume distribution is a different story: Three quarters of the revenues—and even *more* of the profits—will be made in the over-$1,000 category (and that's not counting higher sales of peripherals and software, and the comfort of a relatively stable installed base).

Dealers also have the prospect of return sales, from participants in the "first-home-computer market," the era that went boom, then bust in 1982-83.

Many low-end owners will contribute to the new high-end boom: 20 percent of Texas Instruments/Commodore/Atari owners intend to upgrade in the next two years. Thus, the first home-computer market will fuel the more-stable, more-lucrative second home-computer market.

To put it another way, last year's lemons will become this year's Apples. □ DAVID LAMB

(David Lamb is director of the new electronic media program at Link Resources, a New York City market-research and consulting firm, which specializes in consumer electronics, computing, and new media, as well.)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APPLIANCES 84

Housewares Review: What Buyers Thought

Mixed reviews for NHMA show: some hot new products, but cool on 'pizzazz'

The timing was perfect. They had looked forward to the event for nine months. As it happened, it had seemed a very good experience. Now, several weeks later, why did they feel it had been less exciting than they had anticipated?

The above paragraph does not describe seniors following graduation, nor a most unusual couple after the birth of their first child . . . but rather, housewares retailers, as they thought again about the spring NHMA International Housewares Exposition from the comfort of their home stores.

"I had anticipated manufacturers and importers would have made the show more exciting with new merchandise and merchandising ideas," said Val Walsh, divisional merchandise manager for B. Altman & Co., in New York City.

Walsh felt that the nine-month hiatus between the two shows had given suppliers more than enough time to be creative in their presentations, but the April show "definitely lacked that excitement," in his opinion.

Today, merchandising housewares, especially the electrics, means special settings and demonstrations — that's entertainment and show-and-tell time!

Many date the beginning of "pizzazz" in housewares retailing as November, 1971, when Macy's Cellar opened in San Francisco. Since then, stores across the country — from coast

[Continued on page 70]

Range Sales Cooking on Front Burner

Retailers report sales gains for both gas and electric; the second half looks good

Ranges sales—of both electric and gas models—are cooking on the front burner this year.

That venerable household appliance, still alluded to by some veteran marketers simply as "the stove," is enjoying a strong sales upswing.

Industry data show sales boiling along at a 24.8-percent unit gain over the year-ago level for electric ranges in the first quarter, according to the Assn. of Home Appliance Manufacturers. Indeed, movement has been so strong that the industry projection for the year has been adjusted up-

[Continued on page 64]

Appliance Execs Are Eyeing Record Year

At AHAM's annual convention, suppliers' 'great expectations' threaten '73 sales records

Major-appliance sales are hot this year . . . so hot, in fact, that the all-time record sales of 1973 are in danger of being eclipsed.

The mood at the recent annual membership meeting of the Assn. of Home Appliances was unreservedly upbeat, with AHAM forecasting sales of 35.6 million major appliances this year, a 10-percent increase. The all-time record volume was the 35.8 million units sold in 1973, and a number of suppliers feel that if the sales momentum of the first four months of 1984 is maintained, that 1973 record could fall.

The first quarter of this year was the best first quarter ever, posting the second-best sales total of any quarter in history, with volume up 36.5 percent over the first quarter of 1983.

And even if the 1973 sales record does not fall this year, it is very likely to be broken in 1985, for which AHAM forecasts total sales of 36.8 million units.

[Continued on page 72]

Looking for strong second-half appliance sales are (clockwise from top left) Roy Musselwhite and S.B. (Skeet) Rymer Jr. of Magic Chef, Admiral President John Green, and Jack Sparks of Whirlpool Corp.

Compact Appliances Are Still Small Potatoes in Terms of Sales, Most Retailers Report

The building market, singles, and senior citizens account for most sales of compacts

Despite moves by both U.S. and Japanese manufacturers to increase their distribution — and selection — of compact appliances, compacts so far have failed to generate a significant revenue stream for appliance dealers contacted by MART around the country.

Indeed, not one retailer reported that refrigerators under 6.5 cu. ft., freezers under 10 cu. ft., and laundry equipment less than 24 inches wide produce even a minor percentage of their business. Consequently, most dealers have spent little time promoting these appliances . . . and those who *have* witnessed sales gains contend that the category itself is so small, the gains are not meaningful.

For years, the sale of compact appliances mirrored and tracked major-appliance trends in general. In the last year, however, while appliance sales rose across the board, compact sales slipped, dealers told MART.

"Sales are terrible," said Bill Sharpe, owner of Sharpe's Appliances in Atlanta, GA. "We don't even put them on display."

"We sell quite a number of compact refrigerators and laundry, and sales have been increasing since we started to carry them five or six years ago," said Jules Fleischer, owner of Brookline Appliance Center in Brookline, MA. "But they only represent about one percent of our business." Fleischer carries Welbilt, U-Line, and Marvel compact refrigerators. In compact laundry, he handles Whirlpool and Combomatic.

Only Albert Moradi, manager of Albee Appliances in Los Angeles, reported a brisk business in compact refrigeration.

His store is located in the heart of one of Los Angeles' scattered high-rise office districts, headquarters for many banks and financial institutions and only a mile from Century City's fabled Miracle Mile and Beverly Hills. Moradi reported that he sells many refrigerators in these office complexes. Compact sales, in total, generate about 30 percent of his annual revenue, he said.

'Compacts are not as popular as they were five years ago — they are a marginal part of the business. And most of what is sold, is sold through the builder channels.'

Location seems to be a controlling factor in compact sales. In addition to the business community, Moradi at Albee benefits from a surrounding residential community favored by senior citizens and affluent single people or young families just starting out.

"The typical buyers are young couples in condominiums or apart-

[Continued on page 68]

Appliance Execs Eye Record Year

[Continued from page 63]

"We've got great expectations for our industry's ability to compete successfully for the consumer's dollar this year," declared Bob Cox, executive vice president of In-Sink-Erator and newly named AHAM chairman, echoing the theme of the AHAM meeting.

AHAM projects strong sales of portable appliances this year, too, calling for a 6- to 8-percent increase in industry volume, with food processors, automatic-drip coffeemakers, irons, and hair-care products expected to do especially well.

Zeroing in on specific major-appliance categories, S.B. Rymer Jr., president, chairman of the board, and chief executive officer of Magic Chef, predicted 1984 sales increases of 14 percent for gas ranges, 17 percent for electric ranges, from 8 to 10 percent for microwave ovens, from 10 to 12 percent for dishwashers, 3 percent for refrigerators, and from 7 to 8 percent for laundry appliances.

Rymer said he sees four market segments jockeying for position in the business: builders, private-label retailers, buying groups, and independent appliance dealers.

"Replacements now account for about 75 percent of the market, and the battle lines are already drawn," he commented. "In recent years we've seen department stores and utilities become almost non-factors in the market, amidst the emergence of mass marketers and catalog outlets. And buying groups are creating much apprehension among independent retailers.

"These buying groups are making a fierce challenge for the growing replacement market, while the independent dealer feels he created that market and now the manufacturers are unsympathetic to his dilemma. But all four segments of the business have a place in the market," Rymer said.

To boost appliance sales even further, and make sure the industry gets its share of consumers' dollars, Rymer said, the appliance industry needs to enhance the image of its products in the consumer's mind, by stressing its value story.

Jack Sparks, chairman, president, and chief executive officer of Whirlpool, agreed. "The major-appliance industry has been too quiet too long," he declared. "Our low profile has led to slow growth in times of high opportunity. It's time to take a stand and establish a presence for major appliances on Wall Street and Main Street."

The real competition for today's new appliance is the older model ready for replacement — the products that still work, but lack the latest features and conveniences, he said.

The industry should also make sure the consumer understands that the current increased quality of major appliances has decreased the need for service, Sparks added. "And the availability of do-it-yourself service is proving satisfying and money-saving for all concerned."

Selling these new convenience appliances is the retailer's job, but that retailer needs help from the manufacturer, according to Robert Thompson, an industry consultant and former vice president of Sears' major appliance and home entertainment group.

"With few exceptions, at the retail and manufacturer level we've done the poorest job on product presentation," said Thompson, senior consultant for Thompson & Associates Marketing and Merchandising. "The way appliances are generally displayed is confusing to the consumer and the salesperson — the retailer needs help in making the product presentation. After all, the retailer and the manufacturer share a common goal — survival."

Seen at the AHAM meeting: Kevin Furlong of Toshiba America (left); Matt Howard, vp of Sears' home appliance and entertainment group, and wife Beth (above left); Bob Deming, president of Toastmaster (above); Whirlpool's Steve and Betsy Upton (top); and housewares industry veteran Lew Salton (top right). All were very bullish about second-half prospects for major-appliance sales, after a record first-quarter volume.

One way the appliance manufacturer can help the retailer sell is through point-of-purchase material, which has become a very important source of information to today's consumer, according to Barbara Caplan, a vice president of market-research firm Yankelovich, Skelly & White.

And today's customer is likely to be more knowledgeable about the appliances before ever setting foot in the store, Caplan indicated: "When the consumer enters the retail store, he or she has already done a great deal of homework. Brand has become a road map, and its role is growing."

The typical consumers today pride themselves on being smart shoppers, Caplan added. They have renewed interest in the home, and are searching for quality and excellence in the products they buy. And — good news for the appliance industry — "appliances are a growing priority when it comes to allocating discretionary dollars."

"A tremendous opportunity exists for the appliance industry to share in and grow with the changes in society," agreed Ben Brooks, president of Clairol Appliances. "The dealer and the consumer await action programs from the manufacturers to develop truly unique products, sell their products differently in their advertising, and sell on the basis of quality, performance, and value."

Bob Holding, AHAM president, agrees: "Product innovation is the real spark for strong replacement sales. The near future will be one of the most innovative in the history of major household appliances." And this time around, he added, replacement customers "are more affluent, ready to treat themselves well, and attuned to features they've seen advertised and in their neighbors' homes."□

CATHY CICCOLELLA

INDUSTRY FACTORY SHIPMENT FORECASTS

	1984 Units (000)	1985 Units (000)
Room Air Conditioners	2,607	2,766
Dehumidifiers	470	485
Dishwashers	3,424	3,486
Disposers	3,795	3,897
Compactors	171	185
Refrigerators	5,765	5,800
Freezers	1,363	1,410
Electric Ranges	3,031	3,157
Microwave Ovens/Ranges	6,806	7,211
Washers	4,885	4,993
Dryers	3,534	3,624
TOTAL	36,623	38,771

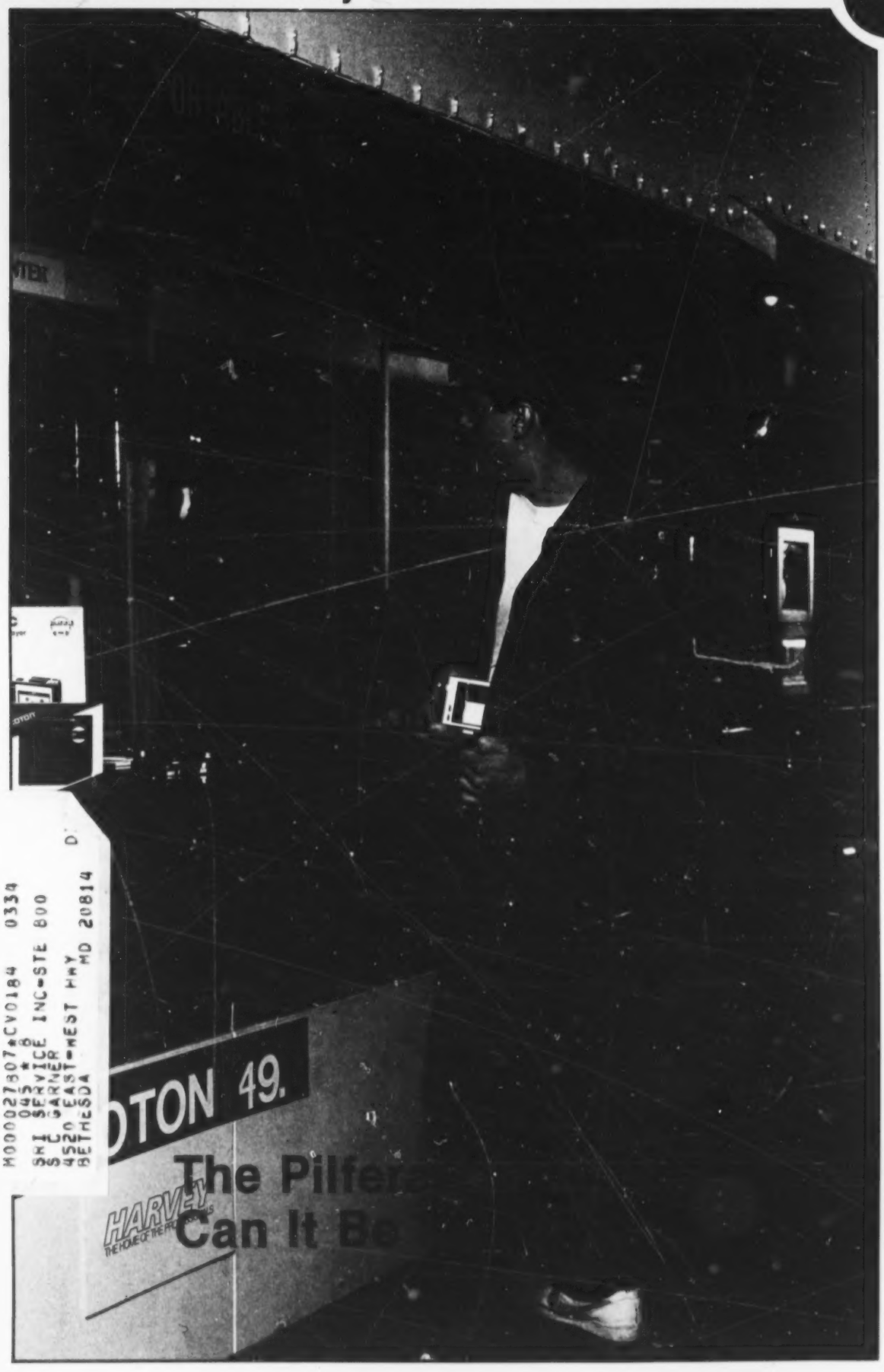
Source: AHAM

July 1984

MART® 84

Business Ideas Today's Retailer Needs to Know

A Gordon Publication



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- How to Shift from 'Working for the Landlord' to Making a Profit
- How Dealers Advertise: Not on Price Alone

ELECTRONICS 84

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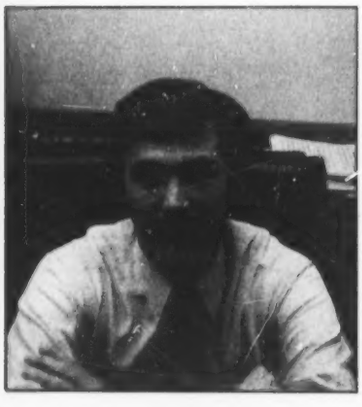
- The Cordless-Phone Chaos: Getting Better . . . Or Worse?
- 'Edutainment' Hot Area in Computer Software

APPLIANCES 84

- Pre-Season Sales Mixed for Room Air
- What Will You Sell in the Year 2000?

Spotlight:
Gemco's Joe Naughton



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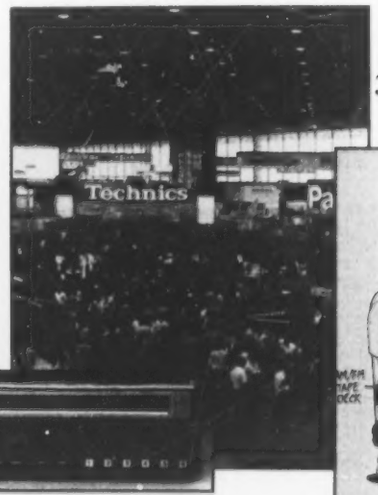

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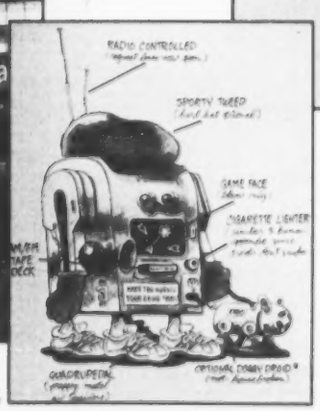

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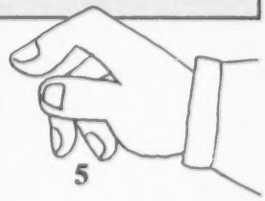

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ELECTRONICS 84

Big CES News in Video? It's Audio!

Stereo-ready TV sets and hi-fi VCRs claim video spotlight

At the Summer Consumer Electronics Show in Chicago last month, the big news in video was audio.

From major product pushes for VHS Hi-Fi and Beta Hi-Fi to stereo-ready TV, video manufacturers made it clear they expect video with enhanced audio capabilities to make a loud noise at the cash register for retailers this year.

It was more than dynamic-sounding new video products that had manufacturers feeling bullish about 1984 sales prospects. In both color TV and video cassette recorders, the industry is already posting sales figures substantially beyond earlier estimates. Industry insiders were predicting a 15.5- to 15.8-million-unit year for color TV . . . but if sales continue at current rates that figure could end up closer to the 17-million-unit mark.

VCRs, continuing their dynamic growth into the consumer mainstream, are running at an annualized rate one million units higher than early projections, and should easily hit the seven-million-unit mark by year-end.

RCA Consumer Electronics, for *[Continued on page 36]*

It Just Keeps Getting Bigger . . .

More than 98,000 people visited more than 1,300 exhibits at last month's Consumer Electronics Show; next year, 100,000. . .?

Last month's CES attracted more than 98,000 to view audio/video marriage rites

With the lines between audio and video products continuing to blur, retailers attending last month's mammoth Consumer Electronics Show in Chicago at times had trouble telling if they were in an audio manufacturer's booth looking at video products or at a video company's space checking out the latest in audio equipment.

With virtually every major television manufacturer now including stereo-ready models in its line, and with hi-fi video cassette recorders proliferating in both the VHS and Beta formats, the sound of music was commonplace at most video exhibits. And a number of audio suppliers showed off new receivers incorporating TV-audio tuners and adap- *[Continued on page 38]*

Phone Suppliers Mixed on Cordless Outlook

But all manufacturers agree sales of phones in general will soar this year

By the end of 1984, according to AT&T, about half the telephones being used by U.S. consumers will be owned, rather than leased. But who will be selling those telephones, and what types of phones will consumers be buying?

At last month's Consumer Electronics Show, telecommunications retailers were looking for answers to those questions, and also to the shorter-term question of what will happen to the cordless-phone market now that the new models using the expanded 46/49 MHz frequencies are moving into the distribution pipelines. For the most part, the responses they got from telephone suppliers reflected optimism about the second-half outlook, along with some acknowledgement that the retail picture for telephones is changing, with sales of at least basic models moving more heavily *[Continued on page 34]*

Computer-Software Moves Toward 'Edutainment'

Major software players jockey for second-half position; no one likely to dominate

The Chicago edition of the Consumer Electronics Show has almost split into two distinct dramas.

Manufacturers in traditional product categories—audio, television, video—bring their offerings to that Parthenon of brown-tinted glass, McCormick Place, with some spillover into McCormick Inn. And just down the road, almost like a self-enclosed, and self-absorbed, monastery, McCormick West provides a haven for those who till the field of home computing.

Last month, though Atari described its own press conference unveiling a new line of software as "the day the future began," the home-computer industry surfaced not with its usual hype and sizzle, but instead as a category in which the major players for the near-term have passed their rites of initiation and begun to jockey for position.

Who are the software majors? They fall into three categories. First come the dominant hardware manufacturers in the home channel, Commodore and Atari.

According to the president of Commodore's software division, Sigmund Hartmann, that company did more than $100 million in software sales in 1983, and expects to do better this year. And Atari's third-party software-publishing division, Atarisoft, released 10 arcade hits and two original programs for the Commodore 64 and the Vic 20.

Successful start-ups also hold an important position in the market. Human Engineered Software, Broderbund, The Scarborough System, Creative Software, Spinnaker, and others have secured niches and reputations in the home market. Said retailer Sonny Cohen, president of Video, Etc. in Deerfield, IL, after surveying many CES booths displaying software, "There is a lot of exciting, creative software here."

Finally, book publishers such as Random House, Prentice Hall, and Hayden, and other conglomerates such as CBS, have begun to make their presence felt. One newcomer, Mindscape, a division of SFN, has taken a very aggressive position within the industry.

One reason all the players have been able to begin to implement strategies instead of playing catch-as-catch-can—which is often the case—is that the rules of the game seem set, at least through the fall.

Commodore announced last month that it would finally usher to market the home computer it showed first at the Winter CES, now renamed the Plus/4. That and its sister Commodore 16 were the only new com- *[Continued on page 44]*

Audio Industry Prepares for Digital and A+V

The leading audio manufacturers are growing at a rate in excess of 25 percent this year, with most of the sales activity in both one-brand and component systems. And while quality sound reproduction and size still remain an issue, the audio industry is moving toward a melding with video. The compact disc is here, digital is just beginning to impact, and the marriage of audio and video will shortly reach culmination. For an in-depth market analysis of the audio industry, turn to page 38.

Phone Suppliers' Outlook Is Mixed. . .

[Continued from page 33]
through mass-market channels.

The outlook for the cordless business is decidedly mixed, however, with some suppliers keeping a rosy view of the transition to the new-frequency models while others see continued chaos ahead in cordless.

Industry sales projections — both those released by the show-sponsoring Electronic Industries Assn.'s Consumer Electronics Group and by Al Franks, sales vice president-retail accounts, for AT&T Consumer Products, in his keynote address at the CES telephone conference — reflect an anticipated boom in telephone sales generally, for this year and beyond.

The EIA/CEG estimates call for sales to dealers of 31.1 million telephones this year, for a dollar value of $1.24 billion. Of those units, 6.1 million are expected to be cordless phones, with the remaining 25 million corded models. For next year, the EIA/CEG sees the industry selling 28 million corded phones and 6.5 million cordless units.

Comdial VP John Forbes showed the firm's first cordless phones at CES.

Dynascan President Frank DiLeo has a new cordless-upgrade program.

Conair's Logan Davis sees 46/49 MHz cordless as a tough sell on price.

Larry Reichenstein, Webcor VP, sees a cordless-replacement market due.

TOTAL TELEPHONES

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)	Average Value (Dollars per Unit)
1982	5,700	400	70
1983	19,700	925	47
1984	31,100	1,240	40
1985	34,500	1,475	43

Source: EIA/CEG

AT&T's estimates — reflecting retail, rather than factory, sales — call for a total volume of 26.9 million telephones this year, for a retail dollar volume of $1.4 billion.

According to Franks, that total 1984 retail sales figure will be made up of 9.8 million basic telephones (36.4 percent of the total), 7.5 million one-piece phones (27.9 percent), 5.5 million cordless units (20.5 percent), 2.8 million functional phones (10.4 percent), and 1.3 million decorator models (4.8 percent).

"While the prospect of paralleling the growth we have seen since 1982 will be difficult, the opportunity does exist for continued high volume and revenue in both the near and long term," he added.

Other telecommunications suppliers agreed. While acknowledging that telephone sales in the first half had slowed — "a downturn predictable in a high-tech business" — Dynascan President Frank DiLeo said he sees the market as "surely poised for a significant rebound; it will grow and pick up steam."

As for the cordless-phone market specifically, "consumers still want cordless phones, even though they've had some bad publicity," DiLeo told MART. "Retailers have been continuing to sell them all along."

DiLeo estimates that from 3 to 4 million cordless phones using the 49/1.7 MHz frequencies are currently in inventory; to help build consumer and dealer confidence in the cordless category in general, Dynascan's Cobra Consumer Products division unveiled a new "purchasers' satisfaction program" at the CES. Consumers who buy any of Cobra's 10 current-frequency cordless models between July 1 and December 31 and decide they are having problems with them can return them with proof of purchase to Cobra and upgrade to a 46/49 MHz model for only $49.95, directly from the company.

Also expecting the cordless-phone market to rebound is Roy Mulhall, executive vice president of Uniden's consumer-products operation. "Now is the time for cordless to move forward," he declared. "And with full manufacturer support and aggressive marketing by retailers, it will."

(Uniden also announced shortly before the show that it had acquired the Bearcat scanner line from Electra Co., and will market the Bearcat scanners effective immediately.)

The prospect of a replacement market for cordless phones is now opening up with the arrival of the 46/49 MHz models, leading some early cordless buyers to trade up. "Anyone who bought a cordless phone before 1983 is now ready for a new one," said Larry Reichenstein, Webcor vice president. "I see a big replacement market developing."

However, Reichenstein added, the basic telephone will continue to be the heart of the market, despite all the attention being paid to cordless: "If a customer wants all the convenience features, he or she should buy a corded phone, and use a cordless as an extra extension, to receive calls." He feels two-line phones will be an especially fast-growing category

Cellular Phones: Next Hot Category?

Few cities in the country have cellular/mobile phone service now, and only about 30 markets are expected to have it by the end of the year . . . but telecommunications suppliers exhibiting at last month's Consumer Electronics Show turned out in force with cellular models, to show they will be ready when the market will.

Cellular-phone models turned up from a variety of car-stereo manufacturers as well, including Alpine, Grundig, Audiovox, and ARA. And telecommunications giant AT&T devoted a large segment of its exhibit to cellular, complete with a map of the country with flashing lights indicating current and proposed locations for cellular service.

During the CES telephone conference, Al Franks of AT&T Consumer Products predicted sales of about 200,000 cellular/mobile phones this year, with estimates of cellular unit sales ranging from 1.5 to 4.5 million by 1990.

'The time for sale at the retail level is not that far off,' Franks said. 'The key to retailers' entering the business early on will be the ability to provide one-stop shopping for their customers, including installation, arrangement of dial-tone service, and maintenance service.'

. . .On Second-Half Cordless Sales

this fall, with "more affluent, more astute" consumers buying them.

Also focusing on basic phones for the second half — but on basics with a difference — is Comdial.

"We're in the process of redefining what is a 'basic' telephone," Comdial Vice President John Forbes told MART. "Everybody wants the hold and redial features — those are becoming the basic features, and we will have them on all our new phones from here on."

And while other companies are bailing out of the cordless-phone business, Comdial is making its first move *into* that market.

"Retailers are still confused about cordless," Forbes said. "But we are positioning ourselves at the high end, with a two-model Ranger cordless line due in October, priced at $179 and $229. We think the market for 46/49 MHz cordless phones won't really develop until later in the year, and at that point we'll be ready to make an impact."

But how strongly will that new-frequency-cordless market develop? Not all suppliers feel the 46/49 MHz models will catch on that quickly, because of pricing chaos and consumer uncertainty.

"We see the cordless marketplace in 1984 and 1985 as being very difficult," said Howard Laffler, president of distribution operations for ITT Telecom. "Currently mass confusion exists among consumers — they are finding themselves faced with a wide variety of prices for essentially the same features between the old- and new-frequency models. Education is really needed at the point of sale to say why the new cordless phones are more expensive."

Agreed Marty Levine, national sales manager for GTE's retail telephone operation, "There will be a slowdown in cordless sales until the confusion is sorted out. The consumer wants more than just new frequencies as a reason to spend extra money."

And what's ahead for the old-frequency models? "There will certainly be some dumping of the 49/1.7 MHz models," predicted Bob Winkler, president of Teleconcepts, "but that's not all. The industry will soon be faced with a glut of 46/49 MHz cordless phones because of excess overseas production, and there's already talk about lowering prices on those models. As the suppliers overseas get nervous, dumping will take place on the new units as well."

Although Conair is not in the cordless-phone market, and will not be this year, Logan Davis, group vice president, consumer electronics, is keeping an eye on the market.

"I still believe in the category," he told MART, "but my personal estimate is that since between 1.2 and 2 million old-frequency cordless phones are still in the country waiting to be sold, we won't see the end of pricing pressure on those models until the end of the year. And then what is the consumer going to do? There's nothing wrong with the old-frequency phones, and if the customer sees a 1,000-ft. cordless phone with good features being sold for $39, the retailer is going to have a tough time talking that customer up to paying a lot more for a new-frequency model."

Not all suppliers anticipate dumping of the current-frequency models and dumping and/or pricing cuts on the newer cordless units, however.

"We see prices holding so far on the new-frequency models, and we expect that to continue," said Dynascan's DiLeo. And Franks of AT&T commented, "The old-frequency phones can continue to be sold by retailers and used by consumers indefinitely. There seems to be no reason, then, for quick disposition of the inventory of old-frequency phones. A reasonable balancing of old- and new-frequency models, coupled with sales events and promotions to clear out the old models, should work." □ CATHY CICCOLELLA

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AT&T

Audio Was the Big News in Video

[Continued from page 33]
example, is forecasting industry sales of more than seven million VCRs this year, an increase of more than 70 percent over 1983 totals, with five million of those units coming in the VHS format. The average retail price of a VCR today is about $750, according to Steve Stepnes, RCA division vice president, marketing, so the dollar-sales total for this year could surpass $5.25 billion.

In both VCR and color TV, manufacturers at the Summer CES were talking about major opportunities throughout the second half for retailers to cash in on the trade-up market.

"I think you're going to see a sizable surge towards higher-end sales, especially in VCRs," opined Stan Hametz, general manager, consumer video, at Panasonic. "VHS Hi-Fi is going to be a real attention-getter. It might only account for 5 percent of unit sales industrywide, but dollarwise, being a high-ticket item, it will represent a lot more."

"Our research shows the second-most-important thing consumers shopping for new TV sets are looking for is enhanced sound," offered Rick Williams, general manager of marketing at General Electric TV. "Consumers who don't buy high-end sets with stereo capabilities now are going to be very disappointed in a year or two, when there's a lot of programming available in stereo."

'Video retailers now have the opportunity to drive sales by something other than price.'

The Beta camp, the pioneers in high-fidelity VCRs, is expecting a large portion of its VCR sales to be Beta Hi-FI.

"I can't give you an exact percentage of VCR sales, but I can tell you our Beta Hi-FI sales have been fabulous," said Paul Michie, executive vice president of Toshiba America.

"I think Beta Hi-Fi will represent 25 percent of our VCR sales," offered Kent Hammond, marketing manager for video products at Sanyo. "It's one more thing that identifies Beta as the technology leader."

Sony, the Beta kingpin, took advantage of CES to show off a new product it believes will help thwart erosion of Beta's 25 percent market share. Dubbed "Sprinter," it's an industrial tape duplicator that copies Beta tapes 80 times faster than real time. Although the Sprinter represents a $250,000 investment for duplicators, it should mean greater availability of Beta software, and eventually a drop in the price of Beta programming.

The VHS camp, however, has a similar device under development for its format, according to several VHS manufacturers, and could have the product on the market within a year.

"The Beta camp is determined to keep a presence, and the format is not going to go away overnight. How big a thing this high-speed duplicating device will be I don't know," commented Don Johnstone, senior vice president of N.A.P. Consumer Electronics. "But I know one thing—wherever we go with VHS prices, Beta will go lower."

Price wars caused by Taiwanese and Korean entries into the VCR market were also on the minds of manufacturers at the CES. The consensus was that it won't be until sometime in 1985 that these new players from the Orient will be in a position to have an impact on the market.

"It will be good while—at the very a least a year, especially with the shortage of components—before the Koreans or Taiwanese will be substantial factors in the VCR market," opined Alan Wallace, senior vice president of sales at Hitachi, echoing the sentiments of his industry colleagues.

Introducing the Smart Decks. The first VHS line of VCRs with Zenith quality built in.

It's a smart new breed of Zenith VCR. And this year, we've changed a lot more than the format.

Smart features.

The Smart Decks feature multiple head designs. The VR4000 has six. The rest have four. The VR4000 also has true VHS Hi-Fi stereo sound and automatic noise reduction.

And the Smart Decks are all VHS and low profile with 8-hour recording capability. Most are front-loading with 136 channel capability, including cable. And they're all available with a unique wireless remote control. So customers with Zenith remote controlled televisions can use the VCR remote to control both the TV* and the deck.

Then there's the Dockable. One of the smallest and lightest

ZENITH AND VHS. A WINNING COMBINATION.

at the Summer CES

One factor already impacting the marketing of color TV, according to manufacturers, is the advent of the square picture tube. A year ago Toshiba made a splash at the CES with its FST square-screen units. At this year's summer show, virtually every video manufacturer exhibiting had at least one high-tech square-screen TV model in its new line.

"It will take the consumer a little while to get the message on square screens," explained Felix Chen, executive vice president of Sampo, which has two square-screen models in its new line. "But in a couple of years, the market will all be square screen."

The competition for components for high-end video products, from square picture tubes to complex chips for stereo-TV sets and VCR hi-fi, had manufacturers at CES talking about fourth-quarter shortages. But retailers found little agreement on this issue. In fact, some manufacturers expressed the belief that, spurred on by a record 1983 and bullish first half, production had been geared up to a capacity at which a glut might occur.

"We don't see any supply problems. There'll be plenty of merchandise throughout the second half," promised Michie of Toshiba, who is forcasting a 15-million-unit-plus year for color TV.

"Some people are talking about a 16-million-unit year in color TV and 8 million units in VCR," said Charles Daigneault, executive vice president of Sharp Electronics. "If the merchandise is available, we should hit it."

"We might be producing too much—not in VCR, but in color TV," added Jack Pluckhan, president of Quasar, reiterating fears he expressed at his company's recent sales meeting. "If that happens, prices could fall."

"There's a shortage already this year in video product," countered NAP's Johnstone, "and it will continue through the second half. This is especially true in high-end goods—don't look for any of that merchandise to be hitting the warehouse."

Although little consensus exists in the industry about video supplies for second half, there is agreement about where the opportunity lies for retailers to pick up sales and margin points in the latter part of the year.

High-tech is the profits message manufacturers are sending out. Recent developments, including sound enhancement, square screens, and the trend in design towards a slim high-tech look, manufacturers feel, have put merchandise on the floor in which consumers can see *and* hear a pronounced difference from past generations of video product.

"Retailers now have the opportunity to drive sales by something other than price," commented GE's Williams. "This year they have product that has benefits that can be demonstrated. Taking the time to explain the difference between leader and step-up models will pay off."

"There's the opportunity to create a big step-up market, with products like cable-ready, remote, and stereo color TV, along with VCRs offering high fidelity," concluded Frank Lann, president of N.A.P. Consumer Electronics. "Selling video has become like selling cars—you make profits by selling features."□

JIM ROBINS

TOTAL VIDEOCASSETTE RECORDERS

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)	Average Value (Dollars per Unit)
1980	805	621	771
1981	1,361	1,127	828
1982	2,035	1,303	640
1983	4,091	2,162	528
1984 (proj.)	7,000	3,440	491
1985 (est.)	8,000	3,760	470

Source: EIA/CEG

portables around. And our Dockable has something really special. A plug that eliminates the need for unsightly cords and trays.

And there are two cameras to choose from, including the Video Movie, a real breakthrough. It's a camera and VCR in one small unit. And it weighs less than five pounds. It features direct playback through your TV without any additional attachments, or through the viewfinder.

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MARKET ANALYSIS

Home & Auto Audio

Sales Turn to Digital and A + V for Total Entertainment, Sound Reproduction

Racks still lead components, while quality and midis remain an issue

Though industry estimates of about 10- to 15-percent total-audio gains in '84 and 23 percent up in racks don't show it, many audio manufacturers are plotting even sharper increases this year.

Sony Consumer Products, for example, is looking at 35-percent gains, according to John Briesch, vice president of audio marketing. "The industry is up, digital sales are up, and product has received better acceptance," he said.

Helped by economic conditions and product styling and cosmetics that lend mass-market appeal to its systems, Fisher projects 20- to 30-percent increases this year. "Fisher's strength is not price points but feature benefits to consumers," reported Terry Stein, national sales manager.

And though one-brand systems, ranging from $500 to $2,000, perform well across all market segments — from first-time buyers to step-up and secondary buyers — Stein contends that "component sales are keeping pace with one-brand system growth." Cassette-deck business has also been strong for the firm.

With first-half 50-percent increases expected in one-brand systems and 15-percent gains in components, Kenwood Electronics is projecting overall 25-percent gains. Sam Rosenzweig, vice president of marketing, attributed these gains to Kenwood's established distribution.

And to capitalize on this business, the Spectrum rack series has been expanded. In addition, the high-end Basic component line includes high-quality midi-sized HD (High Density) pieces.

Experiencing a growth rate of 30 percent in one-brand systems in '83, Sharp Electronics is expecting another 20-percent increase in '84, due to the addition of integrated amps and tuners. But this is slight compared to its portable business, reported Bill Yanke, national sales manager. "Fashionable stereo with exciting new color variations are attracting a different class of consumers buying secondary and replacement units," he said.

Also attributing its success to its distribution patterns, partnership with dealers, and an extensive R + D program to develop new products such as its Cross Media A + V system and state-of-the-art VHS Hi-Fi, JVC forecasts 20-percent increases this year, according to Vic Pacor, assistant national sales and marketing manager, hi-fi.

In audio specialty outlets and major department stores, JVC's strength "is unequivocally components. Especially with more and more companies such as Kenwood and Sansui going the systems route, a void in component sales has been left for JVC to eat up," Pacor told MART.

Though many manufacturers, such as Rosenzweig of Kenwood, contend that one-brand systems and racks offer high-quality sound comparable to components, other manufacturers dispute this comparison.

"JVC components, such as the Super 8 amplifier, offer sophisticated technology which is meaningless to the systems buyer," suggested Pacor, adding that JVC's "leading edge in new products is in midi. In less than five years, it will be less economical for Japan to continue making two different sizes of products. Though the midi is currently more expensive, when jacket size becomes the only thing available, the trend will inevitably change."

Contrary to Japan's minimalist philosophy, American tradition invariably dictates that bigger is better — thus evoking America's passion for full-size units. "Full-size is more popular, but the midi business will increase as the price equalizes," predicted Sony's Briesch.

"Midi systems will receive greater acceptance in 1985," added Tom Yoda, Sansui vice president of marketing and sales of Sansui, whose CD player is compatible with its midi Super Compo system.

Introducing seven Studio Series racks, priced from $399 to $1,600 with remote CD, available this fall, a downsized FD1040SL player, and an audio console at $1,800, among others, Magnavox expects substantial gains over last year as a result of its sales organization. But as far as component size goes, Gary Thorne, vice president and brand manager, believes that if "the units are too small, the buttons will be too small." Yet cosmetics were considered in the design of the WE6904AS console — "it's important how it fits into the living room," Thorne explained.

As manufacturers continue to incorporate compact disc players into their lines, digital equipment has helped boost sales. "Digital has recreated awareness for sound quality, and has helped us return to basics, such as high-end amplifiers and speakers to handle the sound. This impact will continue as price on the players fall," commented Kenwood's Rosenzweig.

"Because of digital technology, people are now demanding more of their records," reported Richard Jackson, national sales manager of Heco, a West German maker of speakers and record-care accessories.

The compact disc player has also stimulated speaker sales. "Because of a surge in rack sales, components in general are suffering," observed John Geheran, vice president of marketing and national sales manager of Bose Corp. "But with the advent of CD and Beta, consumers have a reason to come back into the market. There's an enormous replacement market of consumers from the 60s generation and Vietnam vets who came back in the 70s with the latest equipment. And video hifi and commercial films using Dolby B are also generating awareness of speakers," he added.

Digital is here now, and a combination of stereo TV, VCR hi-fi, and audio + video is the next step in the evolution of quality sound reproduction. In fact, the marriage of audio + video is expected to arrive in full bloom by next year.

At the summer CES, a number of manufacturers showed audio-video receivers, adaptors, and decoders.

Technics, for example, showed an audio-video receiver, model SA-850, with broadcast TV stereo compatibility and built-in stereo decoder to receive the Zenith/dbx stereo TV standard, sanctioned in March. Also available by fall will be AM/FM stereo band receivers, featuring stereoplex circuitry, built-in tuner for TV, VCR, broadcast, and VHS, from a starting price point of $270. An adaptor can hook up any receiver, aimed at broadcasting stereo TV as well as offering bilingual transmission.

"An audio-video system is the link in a whole chain for an entire entertainment center, and it is the most exciting product to come along in a long time," remarked Paul Foschino, Technics product manager.

Since broadcast stereo TV was approved in March, ABC-TV has announced plans to broadcast the Olympics in stereo this summer. NBC-TV plans to reoutfit its stations.

"The marriage of audio and video gives the audio specialist an incredible opportunity, the likes of which haven't been seen in the past five or six years. But the specialist must educate consumers, put components together, and show them off properly," urged Chris Byrne, vice president of marketing at Pioneer Electronics.

Lester Cohen of the Audio Exchange retail chain, headquartered in Garden City, NY, believes audio and video offer not only an extra opportunity for retailers to make added sales but also a superior medium for the audio enthusiast. "We combine A + V with Beta or VHS HiFi to sell more speakers and reach a fringe market," he said.

"Audio and video is going to happen by June '85, especially because video is losing margins to high-volume sales," pointed out Pat Hart, Yamaha product manager. "The audio retailer averages 35-percent market margins, compared to 18 to 25 percent at best on the video side." □

LESLIE A. AZIA

ONE-BRAND COMPONENT SYSTEMS

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)	Average Value (Dollars per Unit)
1980	177	80	452
1981	162	89	549
1982	319	145	455
1983	407	178	437
1984 (proj.)	500	200	400
1985 (est.)	570	210	368

Source: EIA/CEG

Where's the Micro? Digital Drought at CES

Home computers were conspicuous at CES by their absence

The big story in computer hardware from the Consumer Electronics Show was the lack of new product, to say nothing of the dearth of manufacturers still in the game. The summer show stood in stark contrast to recent shows, where attendees could be overwhelmed by all the then-new computer hardware on display.

The one company to introduce a new home computer aimed at the mass market was Commodore. Last year's winner in the home computer wars technically had two new computers to introduce at CES. The first, the "Plus-4," is a souped-up Commodore 64, with built-in software, including word processing and spreadsheet. The Plus-4 is an updated version of the Commodore 264, introduced at Winter CES, but never released.

"We delayed the introduction of the 264, because we felt the Plus-4 with its software was a more dynamic product," explained Jim Dionne, director of marketing of Commodore. "I know retailers may have some doubts about it, after the delay with the 264, but I promise we'll have the 264 out in time for the Christmas shopping season."

Commodore's computer intro, also expected to roll out fourth quarter, is the Commodore 16. This new introduction to the Commodore line is "an entry-level computer," designed to take the place of the popular Vic-20. The 16 carries a suggested retail of $100.

Atari was at CES with a new high-end game machine, the 7800 ProSystem, which it had announced prior to the show, but that was the only new hardware it had to display. However, Atari did announce that it had a high-end home computer under development that it would debut "sometime in the second half."

The new Atari computer will reportedly have a built-in, dual-density disk drive with 352K of RAM (the equivalent of 250 pages of information on a single floppy disk), plus built-in telecommunications abilities that will allow the user to access an Atari data bank, dubbed "Grapevine."

"We have big expectations for this new machine," said David Ruckert, senior vice president for marketing of Atari. "We think the biggest product opportunity is the home market, and we're going to exploit it."

Coleco was at CES with its home computing package ADAM to try to cash in on the home market. Plagued with manufacturing problems and bad press, the 1984 ADAM, according to its manufacturer, is being produced in adequate numbers to meet demand and has had the bugs worked out of it, including improved documentation.

"We're not limited by our production capabilities anymore," said Al Kahn, executive vice president of marketing of Coleco. "We'll have plenty of third-party software in the second half from companies like Spinnaker and Parker Bros. to support ADAM, too."

Very little else in computer hardware was available at CES, with the exception of manufacturers with product geared to the business market. It's unusual that so few players were at CES with product to offer, especially considering that industry analysts expect the unit sales to the home to grow by more than 10 percent this year. Apple and IBM, two companies that expect to sell sizable numbers into the home, were notable no-shows.

"The high cost of getting in and staying in is keeping new players out," observed Coleco's Kahn. "But that won't be the case for too long."

"I think by next winter's show, they'll be more people on the floor with product," predicted Commodore's Dionne. "I wouldn't care to speculate, however, who they are going to be."

The new players most likely to come into the home market by next winter are the Japanese consumer electronics companies that have agreed on the MSX operating system. These companies have already made substantial inroads in Japan. Prior to Summer CES, there was some speculation that the MSX camp would make major product introductions at CES, but aside from demo models from JVC and others, plus a limited showing from beleagured SpectralVideo, MSX computers were not to be found in Chicago.

"There's not enough production capacity yet for an MSX introduction in this country," explained Kay Nishi, vice president of Microsoft, the company that developed the MSX system. "The MSX camp has already sold 200,000 home computers in Japan and will sell 300,000 more by the end of the year.

"I think you'll see a substantial introduction of these computers in the States sometime in 1985. The home computer is going to become a common mass-market commodity item very soon."

Until the MSX camp makes its assault on these shores, as exhibited by CES, home computing retailers will have little product to choose from. The choices for the time being are simple — Commodore, Atari, Coleco's ADAM, or a step up into the realm of the Apple II family and IBM's PCjr. □

JIM ROBINS

Commodore's Jim Dionne expects more new computers on the floor at the Winter CES; this time the firm added one model, updated a second.

HOME COMPUTERS

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)	Average Value (Dollars per Unit)
1982	2,000	1,300	650
1983	4,800	1,950	406
1984	5,300	2,200	410
1985	6,500	3,000	470

Source: EIA/CEG

Computer Market Will Be Big; *How* Big Is Up for Grabs

How big will computers be? Each research firm has a different estimate

Growing almost as quickly as the personal-computer market is the tidal wave of predictions by market-research firms on how big that market will be.

Research companies are scurrying to analyze the effects of the computer boom on American life . . . and to project how quickly those effects will be felt, and which directions the computerizing of America will take.

International Resource Development, for example, sees business and educational software as winning out in the software race, with little future for "personal" microcomputer software in the home other than for games. The company projects non-game home software—such as the familiar income-tax and budget programs—to represent only one percent or less of the annual software market over the next 10 years; game software should constitute between 25 and 30 percent of the total.

In the home-software market, IRD sees a shift in distribution away from specialty stores to more general types of retail outlets, with more consumer-electronics firms getting involved.

Because of the integration of software functions into more-comprehensive programs of improvements in computer systems, IRD sees the software-package market's growth slowing down in relation to the hardware market. The firm still estimates that the software market will increase from $1.6 billion last year to $14.7 billion in 1993, an annual growth rate of about 25 percent.

Over the next few years, the home-computer market will reach $4 billion in sales, with microcomputer software expected to hit the $12-billion mark by the end of the decade, according to research firm Arthur D. Little Inc.

The firm's computer specialists predict $4 billion in sales for home computers.

Future Computing Inc. projects a combined hardware/software volume of more than $40 billion by 1988, up from more than $10 billion in computer-hardware and software sales last year.

Software's share of the total computer market is seen growing from about 23 percent (of a $21-billion market) this year to 26 percent of a $27-billion market in 1986 and 28 percent of a $42-billion market in 1988. □

Computer-Software Industry Moves Toward Education, 'Edutainment'

[Continued from page 33]
puter consoles released at CES.

Atari also revealed that it would announce a new high-end home computer within two months, but refused to describe the machine in detail. The purpose of the announcement, said the firm's senior vice president, marketing, David Ruckert, was to alert third-party software developers.

And, behind closed doors, many retailers got to see prototypes of the long-anticipated MSX home computer developed by Microsoft Corp., of Bellevue, WA, in conjunction with a consortium of Japanese companies.

The MSX machines have captured a sizeable share of the Japanese market, consuming the complete production, according to Kay Nishi, a vice president of Microsoft who is intimately involved with the MSX project. But the unit will not cross the Pacific until demand for it can be met, Nishi said.

So, with the disappointing performance of the IBM PCjr in mind, Future Computing, the Richardson, TX-based market research firm, recently upped its estimate of the piece of the home-market pie Commodore, which already is the dominant factor, will command.

Agreed J. Bowmar "Bo" Rodgers, vice president, marketing, for Human Engineered Software, "Between 1.9 and 2.2 million Commodore 64s are out there, and about 75 to 90 percent of them are still being used."

Software publishers must write to the Commodore format to capitalize on that installed base. Those that release home-oriented programs first for the Apple II family or the PCjr look to release Commodore versions shortly thereafter.

Ed Wennerstrand, executive vice president of Neon Software, which markets programs directed to women, said, "The decision to write for the PCjr was a choice we made in development. We are sure IBM will stand by its machine." For the time being, however, Neon will market its Woman Ware line through the specialty channel. "We have to go where the hardware is," said Wennerstrand.

With the formats and distribution channels clearer than they have been since perhaps Day One of the home-computer era, publishers are looking for the reasons which motivate consumers to buy computers.

Sanford Bain, vice president, marketing, of The Scarborough Systems, told MART, "In business, consumers are buying solutions. For the home, they are presented with a variety of solutions."

The question publishers ask themselves, however, is "solutions to what?" Answered Ruckert of Atari, "We are looking for ways to make the micro better. The most appropriate uses for the computer are entertainment and education."

The new AtariLab LightLab program comes with 16K cartridge, light sensor, 'Magic Litestick,' and experimenter's guide.

Added David Fiore, advertising manager for the electronic-publishing division of Random House, which released 10 programs (six of which use characters from the Peanuts comic strip), "They may have been guilt-tripped into it, but education is a reason parents will buy a computer."

With industry statistics revealing that although games still generate the lion's share of revenue, home-productivity and education are the two fastest-growing categories, a bevy of publishers have launched either educational or "edutainment" lines.

HOME COMPUTER SOFTWARE

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)	Average Value (Dollars per Unit)
1982	na	250	na
1983	35,000	600	17
1984	55,000	1,000	18
1985	80,000	1,450	18

Source: EIA/CEG

What's the difference? Edutainment, said Bain of Scarborough, "gets its validity from use in the home; educational programs get their validity from use in the school. We are not an educational publisher." His company's best-selling program, MasterType, first found a place in the home, then the school, Bain argued. In other words, edutainment must be fun to succeed; educational program must also achieve certain stated learning goals.

Within the education/edutainment genre, science has emerged as the hottest subject matter. HES, Atari, and Broderbund have all heavily invested in programs based on science, although each has taken a different tactic. Explained Dr. Sue Ann Ambron, who supervised the development of HES's science line, "Atari uses the computer as an instrument. Our programs are science simulations."

As an example of a science simulation, in Cell Defense, the first entry in the HES science series, players try to ward off viruses attacking different cell layers in the body, using the various defenses the body actually has at its disposal. Said Ambron, "We want to get kids excited about biology; we include a lab book in the documentation."

In contrast, in the Atarilab starter set, science students use the computer to actually conduct 100 experiments about light and heat. Another entry in Atari's Mindset educational series teaches users cardiopulmonary resuscitation.

Moving away from education, The Scarborough Systems has released a home-productivity program, Your Personal Net Worth. Hayden Software will also weigh in with a home-accounting program, because, according to its vice president of business-software development, "I couldn't find one that was suitable for me to use."

Still, warned Cohen of Video, Etc., "It is hard to sell a home-budgeting program to somebody who does not keep a home budget."

Most software publishers look forward to the Christmas season. Said Bain, "We have not seen the price breaks that we anticipated last year." Added Rodgers of HES, which dropped the price of Cell Defense from $34.95 to $29.95 after much deliberation and soul-searching, "Customers seem willing to move up the price ramp." But $30 seems a key price point for the genre of program HES markets.

According to Tricia Parks, vice president of Future Computing, $34.95 is a "magic" price point for education programs. "But that may be because consumers do not see that they get more for more-expensive programs," she said. Concluded Bain, "Consumers have fixed a price/performance ratio in their minds, and look for programs that match it."

According to Bain, "Buyers are buying." But Ruckert at Atari does not see explosive growth: "We are currently at 8-percent penetration, and I do not see 1984 as a boom year. I think we will have several years of modest growth."

He cautioned, "I think retailers were drawn in by the hype. They were expecting growth beyond what it was, and now they have to readjust their inventory."

This year, however, most software firms agree that the name of the game is marketing.

All the software publishers contacted by MART plan aggressive print-advertising campaigns in both general-consumer and computer-buff books.

The home-software industry may be drawing a deep breath, as business savvy, image, and advertising weigh more heavily than before. But the respite could be short—new hardware players are preparing to enter the field.

Creative Software, for example, plans to show programs for the Amiga and Mindset computers at next January's CES, according to Eliott Dahan, vice president, marketing.

Many analysts agree that an untapped market exists for home-computer systems in the $700-to-$1,200 range, the void Coleco tried to fill with its Adam.

With the price dropping sharply on the Apple IIe, that venerable machine could find even a larger band of followers. IBM has begun to repair the damage done to dealers by the PCjr. Big Blue has already eased the financial pressures; most observers feel IBM will make technological changes soon, too. And the shadow of MSX still lingers.

And don't forget the most-potent agent of change—those people working anonymously in their proverbial garages today.

Is the cost of entry too high in home-computer software these days? Said Chip August, vice president of new start-up Trapeze Software, which has based a game on life itself, "It's more expensive than it was three years ago, but not as expensive as it will be in three more years."□

ELLIOT KING

MART® 84

August 1984

Business Ideas Today's Retailer Needs to Know

A Gordon Publication

Starting from Scratch: Tackling a New Category

RETAILING 84

- Dealers' Top 10 Complaints About Co-op
- Using Giveaways to Draw a Crowd
- How Dealers Advertise

ELECTRONICS 84

- VSDA Special: What's Ahead for the Video Retailer?
- Security, Cellular Hit the Road
- Market Analysis: Electronic Furniture

APPLIANCES 84

- The Microwave Market: Where It's Headed
- Gas-Grill Sales Catching Fire

Spotlight:
VSDA President Frank Barnako

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August 1984
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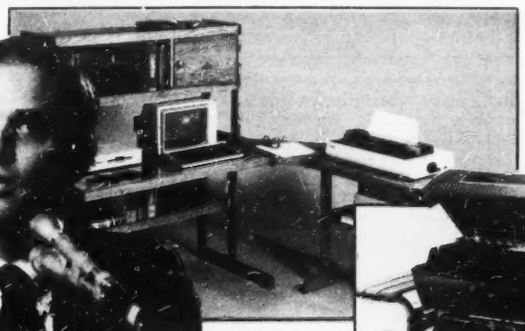

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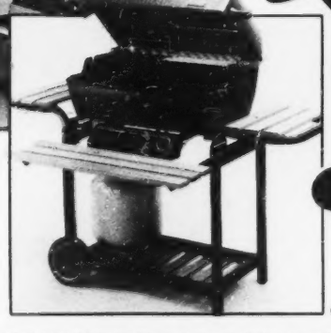

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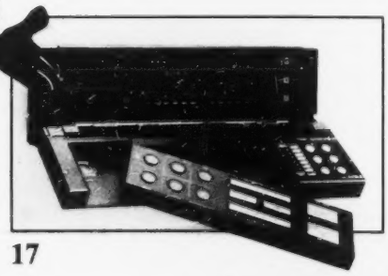

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JBL Markets Auto Speakers Through Electronics Stores

Speaker specialist JBL plans to expand the distribution channels for its new line of car audio speakers to include home audio, electronics, and appliance-specialty stores, according to Steve Caldero, national sales manager.

"Our high-end T series is sold through the installer market," Caldero told MART at a demonstration of JBL's new ER/G car speakers. "But for the ER/G line we are looking to places such as Highland Appliance in Detroit and Shaack Electronics in the Midwest as well," he said.

Introduced in January, the ER/G family represents JBL's entry into the mid-range car audio market. The first car stereo speaker to use graphite frames, the ER/G series also incorporates JBL's co-motional technology — a patent-pending configuration where the tweeter cone is directly attached to the woofer cone.

"Although many people expected us to enter the mid-range market," Caldero said, "they expected a 'me-too' product. Nobody expected the new technology JBL came up with."

The four ER/G models carry suggested retail prices ranging from $70 a pair for the ER/G 4.5 to $160 a pair for the ER/G 690.

"We have been able to expand the distribution channels because installation is so easy," Caldero pointed out. According to a JBL technical representative, the ER/G's snap-in mounting system works with virtually every car, van, and small truck on the market. The company studied nearly 335 car models while developing the mounting procedures.

According to JBL forecasts, its car audio business should grow about 18 percent, outstripping the industry's 10-percent annual growth.

"We keep redefining the high-end market, and we haven't found a limit yet," Caldero said.

Company officials perceive a trend toward the purchase of stereo components for automobiles. "The automotive business is fairly specialized. When you buy a Volkswagen, you don't have Volkswagen tires or Volkswagen shocks," argued Randy Patton, marketing director for JBL's consumer division. He believes car audio will imitate that model.

Patton asserted that JBL created the high-end car stereo market two years ago when it introduced its T series.

"Surprisingly, the best-selling model in the line is the most expensive. The second most expensive is the second best selling."

He said customers have been drawn primarily from the 18- to 25-year-old age category.

"They drive cars like Ford Broncos and Chevy Malibus, and a good car stereo is more important to them than another household appliance. They spend more time in their cars than at home," Patton said.

Initially scheduled to begin shipping at the end of February, shipments had been delayed until April. "But response from dealers has been strong," Caldero said. He reported that a call on key dealers in the San Francisco area netted $250,000 worth of orders.□ ELLIOT KING

VHS Tapes Pace '83 Cassette Gains

Industry sales of blank video cassettes soared 125.2 percent last year, although dollar volume — a reflection of decreasing prices — rose by only 58 percent, according to the International Tape/Disc Assn.

Unit sales of blank audio cassettes rose 7.25 percent last year, while dollar sales were up 5.8 percent.

ITA's blank-tape statistics include all U.S. sales — consumer retail, industrial, and bulk.

In the video-tape category, sales of VHS tapes showed much stronger gains than Beta cassettes: VHS unit sales rose 140 percent, to 65.9 million, while sales of Beta tapes were up 88.9 percent, to 21.2 million. Dollar-sales increases were also higher for VHS, with tapes recording a 61.4-percent gain, to $500.3 million, while dollar sales of Beta cassettes reached $151.5 million, up 48.1 percent.

Total video-cassette sales last year were 87 million units; the total dollar volume was $651.8 million.□

1983 Blank Video-Tape Sales

	Dollar Sales (000 omitted)	Change from '82	Unit Sales (000 omitted)	Change from '82
VHS	$500,341	+61.4%	65,857	+140 %
Beta	$151,490	+48.1%	21,156	+ 88.9%
Total	$651,831	+58 %	87,013	+125.2%

Source: ITA

Room at the Top

Gary Conway has been named national sales/marketing manager for *Panasonic's* newly formed VHS video-tape marketing department; he was previously with *General Sound*...

Code-A-Phone has named **Gary R. Bennett** national sales manager for the firm's consumer products division. He was formerly the division's eastern regional sales manager...

Allen J. Evelyn is the new vice president and general manager of *JBL Inc.'s* consumer products division; he was previously with Androbot...

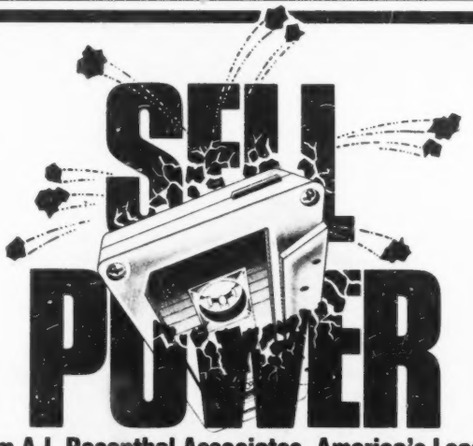
Newly named vice president of sales at *Comdial Consumer Communications* is **Steve Rand,** previously a principal with *Intra-Tech International Market Development Co.*...

RCA/Columbia Pictures Home Video has appointed **Evan Fisher,** previously with *Pioneer Video,* as national sales manager. Also at RCA/Columbia, **Ken Kamins** is now accounts manager; he had been with *MGM/UA Non-Theatrical division*...

Sony Consumer Products has named **Roy Harkey** manager of sales and marketing for its car stereo line; he was previously national field sales manager for car stereo ...

Vincent Maiello has been promoted to senior national accounts sales manager for *Mura Corp.*

Newly named national sales coordinator for *Mitsubishi Electric Sales America* is **J.T. (Terry) O'Flynn,** formerly with *Philco* ...



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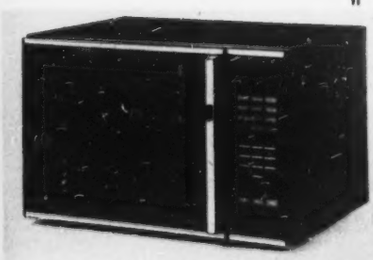

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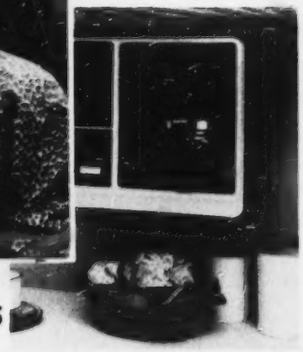

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TV/Appliance Stores Gain in VCR Sales: MART Survey

As video cassette recorders gain in penetration of U.S. households, where are new consumers entering the market going to buy their VCRs? Once they get the units home, how will these new owners be using their VCRs? And what kind of repeat business for software and accessories purchases can a dealer expect once a VCR has been sold?

To find out the answers to these and many other questions about video recorders and software, MART recently surveyed nearly 2,000 known recent purchasers of video cassette recorders, asking them why they chose the units they purchased, what types of video software they have been buying and/or renting, and which related video products they plan to purchase next. Four percent of the VCR owners who returned our questionnaire own a video-disc player as well, and we asked about their disc-buying patterns, too.

This seventh annual MART consumer survey indicates that the new generation of VCR purchasers may be turning back to the TV/appliance store as their primary resource for video-hardware purchases, although video-specialty stores remain a strong factor as well. And for the first time, this year's survey indicates, watching pre-recorded video tapes has emerged as the number-one use of the VCR once the consumer gets it home.

After losing ground to the video-specialty store in last year's exclusive MART survey of video-cassette-recorder owners, the TV/appliance store has once again emerged as the top choice for consumers for buying a VCR.

According to this year's survey, 37 percent of the VCR owners who returned MART's questionnaire bought their unit in a TV/appliance store, while another 31 percent purchased their VCR in a video-specialty store. (In last year's MART survey, by comparison, 33 percent purchased their VCRs in a video-specialty store and 31 percent in a TV/appliance store; in 1982, 39 percent bought their VCRs in a TV/appliance store, and only 27 percent in a video-specialty store.)

The TV/appliance store picked up market share mainly at the expense of department stores (down 2 percent from last year's survey, to 6 percent of these consumers) and catalog showrooms, whose share of these consumers' purchases was cut in half, from 8 percent of the total last year to 4 percent in this year's MART survey.

Five percent of these consumers bought their VCRs at a hi-fi specialty store (down from 6 percent in last year's survey), 7 percent in a discount store (the same as last year), and 3 percent from a mass merchandiser (down from 4 percent in last year's survey).

And, if they had it to do over again, 32 percent of these VCR owners would buy again from a TV/appliance store, while 31 percent would buy from a video-specialty outlet. Perhaps reflecting their greater knowledge of the product after having owned one, so they have less need to be "sold," however, 11 percent of these consumers said that if they were to buy again they would buy from a discounter.

Another reflection of consumers' growing familiarity with video recorders may be the fact that many of these VCR owners did not do much shopping around before completing their purchases. Twenty-one percent said they bought their VCR in the first store they visited, and 30 percent said they made their purchase after only one visit to that store.

As for how these consumers picked the particular model they purchased, price no longer ranks as the number-one criterion, according to MART's survey: 22 percent of these VCR owners said the most important factor influencing their purchase was the manufacturer's reputation, while only 20 percent said price was most

[Continued on page 40]

Where Did You Purchase Your VCR?

TV/Appliance Store	37%
Video-Specialty Store	31%
Discount Store	7%
Department Store	6%
Hi-Fi Specialty Store	5%
Catalog Showroom	4%
Mass Merchandiser	3%
Other	7%

What Is Your Most Common Use of Your VCR?

Playing Pre-Recorded Tapes	36%
Recording While Away from Home or Asleep	34%
Building Library of Recorded Programs	11%
Recording One Program/ Watching Another Taping with Camera	9%
Taping with Camera	8%
Other	2%

If You Were to Buy a New VCR, Where Would You Be Most Likely to Buy It?

TV/Appliance Store	32%
Video-Specialty Store	31%
Discount Store	11%
Catalog Showroom	6%
Department Store	6%
Mass Merchandiser	4%
Hi-Fi Specialty Store	4%
Other	1%
No Answer	5%

When You Bought the VCR, Did the Salesperson Attempt to Sell You Tapes or a Camera?

Yes	32%
No	63%
No Answer	5%

At the Time You Bought the VCR, How Many Blank Tapes Did You Purchase?

None	23%
1	24%
2	23%
3	10%
4 or 5	6%
6 to 9	5%
10 or more	8%
No Answer	1%
Mean: 2.4 tapes	

Why Did you Choose This Particular VCR Model?

Manufacturer's Reputation	22%
Price	20%
Special Features	18%
Ease of Operation	10%
Programmability	9%
Salesperson's Recommendation	7%
Length of Recording Time	6%
Warranty Protection	5%
Friend's Recommendation	3%
Other	4%

(Totals more than 100% because of multiple responses)

If You Were Buying Another VCR, What Would Be Most Important to You?

Manufacturer's Reputation	27%
Price	22%
Special Features	20%
Ease of Operation	12%
Programmability	8%
Friend's Recommendation	4%
Length of Recording Time	2%
Warranty Protection	2%
Salesperson's Recommendation	1%
Other	5%

(Totals more than 100% because of multiple responses)

At the Time You Bought the VCR, How Many Pre-Recorded Tape Did you Purchase?

None	91%
1	2%
2	1%
3	1%
4 or 5	1%
6 to 9	1%
10 or more	1%
No Answer	2%
Mean: 0.2 tapes	

VCR Manufacturer's Reputation Now Tops . . .

[Continued from page 39]
important to them.

(In last year's MART survey, 33 percent of the respondents said they chose their video recorders primarily on price, while 29 percent said the manufacturer's reputation was most important. The 1982 MART VCR survey showed a similar pattern, with 31 percent naming price as their most-important criterion and 28 percent saying manufacturer's reputation was most important.)

Special features available on a particular VCR were the main factor in the buying decisions of 18 percent of these consumers, while another 10 percent picked ease of operation as their most-important consideration. Programmability was the deciding element for 9 percent of these VCR owners; no other factor got more than 7 percent in their rankings.

If they had it to do over again, the VCR manufacturer's reputation would weigh even more heavily with these consumers: 27 percent of the MART survey respondents said the supplier's reputation would be most important to them in buying a second VCR, while 22 percent said price would be most important. Special features would be most important to 20 percent of these consumers if they were to buy a VCR again, according to the survey.

Having made their initial VCR purchase, what are these consumers doing with the units?

For the first time in MART's seven years of surveying consumer buying patterns for video recorders, watching pre-recorded cassettes emerged as the number-one use of the products, cited by 36 percent of these consumers. Another 34 percent said their most-common use of their VCR is recording off the air while away from home or asleep.

(In last year's MART survey, by comparison, 37 percent used the VCR mostly for recording while away or asleep, while watching pre-recorded programming was number-one for only 34 percent; in the 1982 VCR survey, those percentages were 53 and 28, respectively.)

Building a library of recorded programs was cited as the most-common use of the VCR by 11 percent of these owners; no other usage got more than 9 percent in their rankings.

(Among the owners of portable VCRs, playing pre-recorded cassettes was still the number-one usage, cited by 35 percent. Taping with a camera was picked as the primary usage by 15 percent of the portable-VCR owners, compared to only 8 percent of the respondents as a whole.)

And these consumers are extremely pleased with the VCRs they have purchased. Asked "Considering your knowledge of VCR at this time, would you buy a VCR again?" a resounding 97 percent said yes.

"It has enabled me to be more flexible with my schedule," commented a Nebraska man, while an Oklahoma woman who bought a portable VCR and camera said, "In the long run it's cheaper than a movie camera, and in the future you can look back at the past as if it were yesterday." And a New Jersey man declared, "It's all that justifies television's existence 95 percent of the time!"

Most of these VCR owners—90 percent of MART's survey respondents—would also buy the same brand again if they had it to do over. Most of those who would not buy the same brand twice cited repair problems as turning them against the brand they had purchased, such as the California woman who commented, "In 3½ months of operation the VCR has been in for repair twice for over two weeks at a time, and it's been inoperable much of the rest of the time."

What about software buying patterns? While most of these consumers did not buy much software—either blank or pre-recorded—at the time they purchased the video recorder, many have made up for that since then, at least in buying blank tapes.

At the time they bought the VCR, 47 percent of these VCR owners purchased only one or two blank tapes, and 23 percent purchased none at all (perhaps attributable to the fact that only 32 percent of these VCR owners said the salesperson made any attempt to sell them tapes or a camera along with the video cassette recorder).

Since owning the VCR however, (and most of these consumers have owned their video recorders for less than a year), their blank-tape buying has picked up considerably. Forty-three percent of the survey respondents told MART they have purchased 10 or more blank cassettes since owning the VCR. And while 10 percent of these consumers have not bought any blank tapes since purchasing the VCR, the median number of blank cassettes purchased by the group is 3.

Pre-recorded-software purchases among these VCR owners show quite a different pattern, reflecting the increasing significance of rentals in the video-software business.

Ninety-one percent of these consumers did not buy any pre-recorded software at the time they purchased their VCR, and 85 percent have not purchased any pre-recorded programming since owning the video recorder.

Do You Belong to a Video-Tape Rental Club?

Yes	82%
No	16%
No Answer	2%

Since Buying Your VCR, How Many Blank Tapes Have You Purchased?

None	10%
1	5%
2	9%
3	6%
4 or 5	9%
6 to 9	16%
10 or more	43%
No Answer	2%

Do You Ever Rent Pre-Recorded Tapes?

Yes	84%
No	13%
No Answer	3%

Average Share of Video Software Bought/Rented by Type:

Current Features	64%
Children's Programs	18%
Movie Classics	8%
X-rated	6%
Education/Instruction	2%
Sports	2%
Other	3%

(Total more than 100% because of multiple responses)

Since Buying Your VCR, How Many Pre-Recorded Tapes Have You Purchased?

None	85%
1	5%
2	3%
3	3%
4 or 5	1%
6 to 9	1%
10 or more	1%
No Answer	1%
Mean: 0.6 tapes	

If You Rent Tapes, How Many Do You Generally Rent Per Month?

1	8%
2	10%
3	10%
4 or 5	25%
6 to 9	18%
10 or more	27%
No Answer	2%
Mean: 4.2 tapes	

In What Type of Store Do You Usually Buy or Rent Pre-Recorded Software?

Video-Software Specialist	56%
TV/Appliance Store	21%
Discount Store	6%
Record Store	4%
Department Store	3%
Mass Merchandiser	2%
Catalog Showroom	2%
Other	5%
No Answer	1%

in Consumers' Brand-Decision Process

However, 84 percent of MART's survey respondents said they rent prerecorded tapes, and 82 percent belong to a video-rental club.

Among those VCR owners who do rent tapes, 27 percent said they rent 10 or more cassettes per month, and another 25 percent said they rent four or five tapes a month. The average number of tapes rented during a typical month by these consumers is 4.2, down from 8.2 tapes rented monthly by respondents to last year's MART survey.

The average price paid per night to rent tapes is $2.50, this year's survey respondents said, although they reported a broad diversity of rental charges. Thirty-nine percent said they usually pay from $2 to $2.99 per night to rent a tape, while another 23 percent generally pay from $3 to $3.99, and 17 percent said they pay from $1 to $1.99 per night for tape rentals.

And what type of programming are these consumers watching? Current feature films hold the top position with these VCR owners, who told MART they rent this type of program 64 percent of the time. Next was children's programs, at 18 percent (double this category's 9-percent share in last year's MART survey), and movie classics, at 8 percent. These consumers said they watch X-rated tapes only 6 percent of the time.

What type of retail outlet is getting the video-software business?

Not surprisingly, the video-specialty store came out on top for sales and rentals of video cassettes, with 56 percent of the respondents to MART's survey saying they usually buy or rent from a video specialist. The TV/appliance store was second as a source of video software, for 21 percent of these consumers, while 6 percent said they usually go to a discount store for software. No other type of retail outlet got more than 6 percent of these consumers' software business.

(In last year's MART VCR survey, 58 percent of the respondents said they usually bought or rented software from a video specialist. The TV/appliance store was in second place with only 9 percent—obivously indicating big gains in the past year in the TV/appliance dealer's share of the software dollar.)

What about future video-hardware buying plans? Of the consumers who answered MART's questionnaire, 27 percent bought a portable VCR, as opposed to a home deck, but only 14 percent of the total respondents and 50 percent of the portable-VCR owners have purchased a video camera, most of them at the same time as their VCR. (In last year's survey, only 12 percent of the VCR owners also owned cameras.)

Of those VCR owners who do not own a camera, 92 percent said they plan to purchase one, 34 percent of them within the next six to 12 months. Another 47 percent of these consumers said they plan to buy a video camera within the next 18 months.

Some of these consumers will also be in the market for a new color television set in the not-too-distant future. Thirteen percent of these consumers said they plan to buy a new color set within the next six to 12 months, and another 7 percent said they expect to buy a new color set within the next 18 months.

And while 5 percent of these consumers currently own a projection-TV set, only 4 percent own a video disc player. Most of these VCR owners—89 percent of MART's survey respondents—said they do not plan to buy a disc player. Only 10 percent said they plan to buy one within the next six to 18 months.

The VCR owners who also own a disc player report a higher level of pre-recorded-cassette purchases than the survey respondents as a whole (37 percent of the disc-player owners have purchased at least one prerecorded tape, as opposed to only 15 percent of the total sample). Their tape-rental record, however, is lower.

What does all this mean to the video retailer?

First, the fact that watching prerecorded cassettes is the number-one use of the video recorder by this group of consumers bodes well for the video-software dealer, although these VCR owners are clearly much more interested in pre-recorded-software rentals than sales.

MART's survey also indicates that the TV/appliance retailer appears to be fighting back against the inroads being made in the video-hardware business by the video specialist, although it is still a close fight. The TV/appliance dealer appears to be gaining ground in the video-software business, as well.

Finally, MART's exclusive survey indicates that this relatively young, affluent group of consumers is still in the market for video cameras and, in some cases, new TV sets or video disc players as well . . . a good reason for retailers to keep up with their lists of previous VCR purchasers with an eye toward bringing in repeat business.□

CATHY CICCOLELLA

Have You Purchased a Video Camera for Use with Your VCR?

Yes	14%
No	82%
No Answer	4%

If Not, Do You Plan to Buy a Disc Player?

Yes, Within 6 Months	1%
Yes, Within 12 Months	3%
Yes, Within 18 Month	6%
Do Not Plan to Buy	89%
No Answer	1%

Total Household Income

Less than $15,000	2%
$15,000 to $19,999	6%
$20,000 to $24,999	11%
$25,000 to $34,999	21%
$35,000 to $49,999	35%
$50,000 or over	21%
No Answer	4%
Median Income: $39,000	

Do You Currently Own a Video-Disc Player?

Yes	4%
No	95%
No Answer	1%

Age

24 or Under	6%
25 to 34	36%
35 to 44	27%
45 to 54	17%
55 to 64	10%
65 or over	2%
No Answer	2%
Average Age: 36	

If Not, Do You Plan to Purchase a Video Camera?

Yes, Within 6 Months	8%
Yes, Within 12 Months	26%
Yes, Within 18 Months	47%
Do Not Plan to Buy	14%
No Answer	5%

Highest Grade of School Completed

8th Grade or Less	1%
Some High School	7%
High-School Graduate	17%
Some College	39%
College Graduate	22%
Post-Graduate Work	11%
No Answer	3%

Marital Status

Married	76%
Single	15%
Separated/Divorced	6%
Widowed	2%
No Answer	1%

Sex

Male	84%
Female	15%
No Answer	1%

Statistical research for this survey was compiled by Yvonne N. Hunley.